STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT AND BUDGET   November 3, 2010
PURCHASING OPERATIONS
P.O. BOX 30026, LANSING, MI 48909
OR
530 W. ALLEGAN, LANSING, MI 48933

NOTICE
OF
CONTRACT NO.   071B1300095
between
THE STATE OF MICHIGAN
and

NAME & ADDRESS OF CONTRACTOR	TELEPHONE Allister Yu
Aithent, Inc.	**(212) 725-7646 x 2220**
75 Maiden Lane, Suite 237 **New York, NY 10038**	CONTRACTOR NUMBER/MAIL CODE
Email: ayu@aithent.com	BUYER/CA (517) 373-3993 **Dale N. Reif**

Contract Compliance Inspector:

Insurance Regulatory System Redevelopment

CONTRACT PERIOD: **5 yrs. + 5 one-year options**   From: **October 1, 2010**   To: **September 30, 2015**

TERMS	SHIPMENT
N/A	**N/A**
F.O.B.	SHIPPED FROM
N/A	**N/A**

MINIMUM DELIVERY REQUIREMENTS
N/A

MISCELLANEOUS INFORMATION:

TOTAL ESTIMATED CONTRACT VALUE: $2,831,390.00

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MINIMUM DELIVERY REQUIREMENTS
N/A

MISCELLANEOUS INFORMATION:
The terms and conditions of this Contract are those of RFP# 084R9200137, this Contract Agreement and the vendor's quote. In the event of any conflicts between the specifications, and terms and conditions, indicated by the State and those indicated by the vendor, those of the State take precedence.

Estimated Contract Value: $2,831,390.00

FOR THE CONTRACTOR: **FOR THE STATE:**

Aithent, Inc.
_____   _____
Firm Name   Signature
                                              Greg Faremouth, Director
_____   _____
Authorized Agent Signature   Name/Title
                                              IT Division
_____   _____
Authorized Agent (Print or Type)   Division

_____   _____
Date   Date

STATE OF MICHIGAN
Department of Technology, Management and Budget
Purchasing Operations

Buyer Name: Dale N. Reif
Telephone Number: (517) 373-3993
E-Mail Address: reifd@michigan.gov

Contract Number: 071B1300095
Department of Energy, Labor, and Economic Growth
Office of Financial and Insurance Regulation
Insurance Regulatory System

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DEFINITIONS

Days	Means calendar days unless otherwise specified.
24x7x365	Means 24 hours a day, seven days a week, and 365 days a year (including the 366th day in a leap year).
Additional Service	Means any Services/Deliverables within the scope of the Contract, but not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration.
Audit Period	See Section 2.110
Business Day	Whether capitalized or not, shall mean any day other than a Saturday, Sunday or State-recognized legal holiday (as identified in the Collective Bargaining Agreement for State employees) from 8:00am EST through 5:00pm EST unless otherwise stated.
Blanket Purchase Order	An alternate term for Contract as used in the States computer system.
Business Critical	Any function identified in any Statement of Work as Business Critical.
Chronic Failure	Defined in any applicable Service Level Agreements.
Deliverable	Physical goods and/or commodities as required or identified by a Statement of Work
DTMB	Michigan Department of Technology, Management and Budget
Environmentally preferable products	A product or service that has a lesser or reduced effect on human health and the environment when compared with competing products or services that serve the same purpose. Such products or services may include, but are not limited to, those that contain recycled content, minimize waste, conserve energy or water, and reduce the amount of toxics either disposed of or consumed.
Excusable Failure	See Section 2.244.
Hazardous material	Any material defined as hazardous under the latest version of federal Emergency Planning and Community Right-to-Know Act of 1986 (including revisions adopted during the term of the Contract).
Incident	Any interruption in Services.
ITB	A generic term used to describe an Invitation to Bid. The ITB serves as the document for transmitting the RFP to potential bidders
Key Personnel	Any Personnel designated in Article 1 as Key Personnel.
New Work	Any Services/Deliverables outside the scope of the Contract and not specifically provided under any Statement of Work, that once added will result in the need to provide the Contractor with additional consideration.
Ozone-depleting substance	Any substance the Environmental Protection Agency designates in 40 CFR part 82 as: (1) Class I, including, but not limited to, chlorofluorocarbons, halons, carbon tetrachloride, and methyl chloroform; or (2) Class II, including, but not limited to, hydro chlorofluorocarbons
Post-Consumer Waste	Any product generated by a business or consumer which has served its intended end use, and which has been separated or diverted from solid waste for the purpose of recycling into a usable commodity or product, and which does not include post-industrial waste.
Post-Industrial Waste	Industrial by-products that would otherwise go to disposal and wastes generated after completion of a manufacturing process, but do not include internally generated scrap commonly returned to industrial or manufacturing processes.
Recycling	The series of activities by which materials that are no longer useful to the generator are collected, sorted, processed, and converted into raw materials and used in the production of new products. This definition excludes the use of these materials as a fuel substitute or for energy production.
Deleted – Not Applicable	Section is not applicable or included in this RFP. This is used as a placeholder to maintain consistent numbering.
Reuse	Using a product or component of municipal solid waste in its original form more than once.
RFP	Request for Proposal designed to solicit proposals for services

Services	Any function performed for the benefit of the State.
SOM	State of Michigan
Source reduction	Any practice that reduces the amount of any hazardous substance, pollutant, or contaminant entering any waste stream or otherwise released into the environment prior to recycling, energy recovery, treatment, or disposal.
State Location	Any physical location where the State performs work. State Location may include state-owned, leased, or rented space.
Subcontractor	A company Contractor delegates performance of a portion of the Services to, but does not include independent contractors engaged by Contractor solely in a staff augmentation role.
Unauthorized Removal	Contractor's removal of Key Personnel without the prior written consent of the State.
Waste prevention	Source reduction and reuse, but not recycling.
Waste reduction and Pollution prevention	The practice of minimizing the generation of waste at the source and, when wastes cannot be prevented, utilizing environmentally sound on-site or off-site reuse and recycling. The term includes equipment or technology modifications, process or procedure modifications, product reformulation or redesign, and raw material substitutions. Waste treatment, control, management, and disposal are not considered pollution prevention, per the definitions under Part 143, Waste Minimization, of the Natural Resources and Environmental Protection Act (NREPA), 1994 PA 451, as amended.
Work in Progress	A Deliverable that has been partially prepared, but has not been presented to the State for Approval.
Work Product	Refers to any data compilations, reports, and other media, materials, or other objects or works of authorship created or produced by the Contractor as a result of an in furtherance of performing the services required by this Contract.

Article 1 – Statement of Work (SOW)

1.000   Project Identification

1.001 Project Request

The State of Michigan (SOM), through the Office of Financial and Insurance Regulation (OFIR), as part of the Department of Energy, Labor, and Economic Growth (DELEG), with the assistance of the Michigan Department of Technology, Management and Budget (DTMB) has issued this Contract to obtain software services to replace its existing Insurance Regulatory System, which is an integrated part of a network of business administration systems that support OFIR operations. OFIR will obtain a Contractor hosted, web-based insurance regulatory system that is a COTS (Commercial-off-the-shelf) package, including recommended hardware, to replace the insurance regulatory functions provided by the existing client-server OBase (Power Builder) system.

This contracted solution will interface with the identified set of systems, applications, and databases annotated in Section 1.104 of this Contract.

This contracted solution will also need to be capable of **sharing data** with the State so that it may post to the "One Stop" technology portal. The One Stop Business Resource Center is designed for Michigan businesses to start and manage details of doing business in Michigan. Examples would be application status and renewal notification to assist clients utilizing the One Stop portal.

This contracted solution represents the first phase of a plan to modernize multiple OFIR systems into a state-of-the-art OFIR Information System (OIS). In future phases, OFIR plans to include the remaining OBase components and two other non-networked (Microsoft Access) systems, in the new system. This will enable OFIR to leverage newer technology and common system functionality, and it will also provide OFIR with the ability to share information across its business units.

The Contract includes planning, procurement, configuration, and implementation of the Insurance Regulation COTS software. Implementation will include data migration, training, operational services, and maintenance and support.

The State seeks to have services begin after the award of the Contract in the fourth quarter of calendar year 2010.

1.002 Background

The Office of Financial and Insurance Regulation is responsible for the regulation of Blue Cross Blue Shield, HMOS, banks, insurance companies, credit unions, investment advisers, securities broker-dealers, consumer finance lenders, insurance agents, and securities agents.

OFIR coordinates regulation of financial institutions, insurance, and securities industries utilizing three automated systems, including an OBase system that was largely developed in the late 1980's. While it has been thoroughly maintained and upgraded over the years, it is not web-based and has been designated "sunset" (to be replaced) technology by the SOM. This client-server system operates on a LAN and is programmed with a PowerBuilder front-end running against an Oracle database. The two secondary systems support the regulatory needs of the Bank & Trust and the Credit Union Divisions. These standalone (non-client server) systems are written in Visual Basic and run against two separate Access databases.

Future analysis of the business and systems requirements and processes for the Bank and Trust, Credit Union, Consumer Finance, and Securities areas will determine the extent to which a new system can incorporate and support their business operations. In order to meet OFIR's needs for concerted processes and consolidated reporting, these disparate systems must be incorporated as much as possible into the future OFIR Information System.

More specifically, OFIR is responsible for regulating the following entities for the State of Michigan:

- Insurance
  - Insurance Agencies
  - Insurance Companies and related entities, including Premium Finance, Risk Retention Groups, Purchasing Groups, Captive Insurers, Public Employee Health Pools, Multiple Employer Welfare Arrangement (MEWA's), and HMO's
  - Insurance Individuals (Producers, Adjusters, Solicitors, Counselors)

- Consumer Finance
  - Consumer Financial Services Licensees
  - Credit Card Licensees
  - Debt Management Licensees
  - Deferred Presentment Providers
  - Money Transmitter Licensees
  - Mortgage Loan licensees and Registrants
  - Motor Vehicle Installment Seller Licensees
  - Motor Vehicle Sales Finance Licensees
  - Regulatory Loan Licensees
  - Second Mortgage Licensees and Registrants

- Securities
  - Investment Advisors
  - Investment Brokers / Dealers
  - Securities Agents

- Banks, including Trust Departments and Bank Holding Companies

- Credit Unions

Each industry is subject to its own Michigan specific statutory requirements as well as Federal and/or National laws and guidelines. Because each industry has unique legal requirements, OFIR utilizes a decentralized organizational approach to managing most regulatory functions. However, in the current system there are three centralized functions providing shared services to all industries within the Agency: Consumer Complaints, Enforcement, and Accounting; this excludes a centralized reporting capability. Beyond Phase I (see Phases chart below) the centralized functionality will become an integral part of completing the development of the OFIR Information System, and it will be addressed in each subsequent phase.

Accordingly, OFIR operations encompass the following key business functions:
- Licensing (decentralized function; managed within each industry)
- Chartering (decentralized function; managed within each industry)
- Product Registration (decentralized function; managed within each industry)
- Monitoring (decentralized function; managed within each industry)
- Financial and Compliance Examinations (decentralized function; managed within each industry)
- Investigations (decentralized function; managed within each industry)
- Complaint Handling (centralized function; services all industries)
- Enforcement Actions (centralized function; services all industries)
- Management of Education Providers (decentralized function; managed within Insurance only)
- Accounting (centralized function; services all industries)

The current Insurance Regulatory System is used by OFIR to manage the regulation and licensing of Insurance Companies, Entity Producers (agencies) and Individual Producers (agents). Insurance companies must submit applications that are reviewed to ensure that they are consistent with sound business practices, applicable laws and regulations, and OFIR policies and procedures. Michigan Resident and Non-Resident Insurance Agencies are required to obtain a license from OFIR before they can sell, solicit and or negotiate insurance products. Michigan residents seeking to sell lines of insurance, advise customers regarding insurance, or work as an insurance adjustor in Michigan are also required to obtain licenses from OFIR.

The new OFIR information system is expected to run on hardware that leverages the capabilities of current technology and software in order to simplify, streamline and improve the overall efficiency and effectiveness of the systems used to support OFIR's regulatory functions. It is expected that this will reduce processing time, reduce staff overhead required to support the system, reduce operating costs, increase functionality, and provide for faster turnaround for the customers served by OFIR.

Applications currently enter the OBase system via downloads from the National Insurance Producer Registry (NIPR), an affiliate of the National Association of Insurance Commissioners (NAIC), or are manually keyed by OFIR personnel from paper applications. All entities are required to submit an application along with the appropriate fee and required supporting documentation.

Information regarding licensees is shared with the NAIC and NIPR. Information sharing with the NAIC is required under national uniformity standards. Information sharing with the NIPR allows Michigan licensees to utilize the National website program which streamlines the licensing process for obtaining licenses in multiple states.

Approach
In the fall of 2008, OFIR decided that the Insurance Regulatory System would be the first industry to be upgraded. The availability of existing COTS packages deployed in many other States made this a logical place to start.

The overarching goal of the system redesign is to implement a modernized OFIR Information System (OIS) that includes all of the business components of the current legacy system, utilizes web technologies and integrates common system components. The initial phase, Insurance Regulatory, is to deploy a COTS application developed specifically for state insurance regulation and use an industry standard development framework, such as, Java EE or .NET. The application should utilize web services to ensure interoperability with future OIS components, reliability, security, and performance. The remaining OFIR systems will be re-developed in order to incorporate the remaining business functions using a similar development framework. The intent of this approach is to promote the sharing of data and reduce the number of point-to-point connections required to allow applications to communicate.

The phases of the OFIR Information System implementation are initially planned as follows:

- Phase I
  Implement Insurance Regulatory COTS system: Company, Individual, and Agency Licensing
- Phase II
  Develop and Implement Consumer Finance Industry Application
- Phases II - IV
  Develop and Implement Centralized Functionality for Complaints, Investigations, Enforcement, and Accounting (This development will run in parallel with Phases II – IV)
- Phase III
  Develop and Implement Securities Industry Application
- Phase IV
  Develop and Implement Bank & Trust and Credit Union Industry Applications

An estimated, phased strategy for planning and implementing the OIS project is provided in Figure 1 below.

OFIR Information System (OIS) Project Development Phases
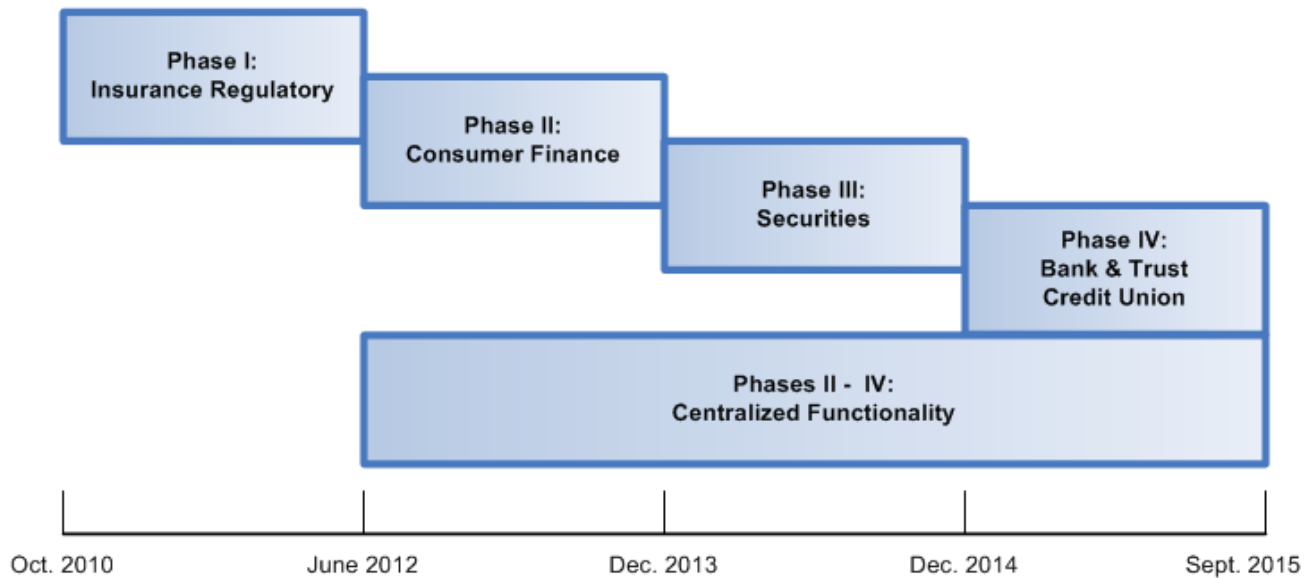
Figure 1 - OFIR Information System Project Development Phases

System Design Principles

The OFIR Information System (OIS) must adhere to the following general design principles:
- The Insurance Regulatory Phase solution will be a COTS package hosted by the contractor. The technological infrastructure and architecture of the selected solution will set the standard for future phase development efforts.
- Components from all phases must align with National Uniformity initiatives and address industry specific needs.
- Data must be shared with appropriate industry-specific national, federal and third party databases.
- The system must provide web-based submission of applications, documents and payments.
- The system should create operational efficiencies through reducing manual processes
- The system must ensure data integrity by:
  - Allowing authorized OFIR users to correct, reverse, or delete erroneous transactions and to cleanse previously entered data
  - Providing data entry screens that utilize drop down options containing lists of allowable values based on the data being entered
  - Providing data verification checks before records are created or updated

- The system must be designed to respond efficiently to changing regulatory and market conditions.

- The system must ensure the security and confidentiality of its information as defined by State and Federal standards.

- The proposed solution will also need to be capable of sharing data with the State so that it may post to the "One Stop" technology portal. The One Stop Business Resource Center is designed for Michigan businesses to start and manage details of doing business in Michigan.

More specific requirements can be found in the OFIR IS Functional Requirements, (Attachment 4), and the OFIR IS Technical Requirements, (Attachment 5).

1.100   Scope of Work and Deliverables

1.101   In Scope

The contracted solution is for an OFIR Insurance Regulatory contractor-hosted, COTS solution for use by State employees, SOM contractors, and external entities and organizations (trusted 3rd parties). The solution requested in this Contract will be comprised of the acquisition of necessary software, hardware (as necessary), and services for a COTS implementation.

This project consists of the following scope:
   A.   Project Planning
   B.   Provision of Software/Hardware (as necessary)
   C.   Implementation
   D.   System Maintenance and Support Services
   E.   Reserve Bank of Hours

A more detailed description of the software, services (work) and deliverables sought for this project is provided in Article 1, Section 1.104, Work and Deliverables.

1.102   Out Of Scope

The intent of this phase of the overall project is not to retrofit all existing OFIR business components. Subsequent phases of the OFIR initiative will be addressed once the Insurance Regulatory system is operational.

The following are out of the scope of this Contract:
   • Equipment, software, and application development services for any system(s) other than those specifically addressed within this Contract.
   • OFIR business components outside of the Insurance Regulatory system (Phases II – IV).

1.103   Environment

The links below will provide information on the State's Enterprise IT policies, standards and procedures which include security policy and procedures, IT strategic plan and the State's project management methodology (PMM).

Contractor is advised that the SOM has methods, policies, standards and guidelines that have been developed over the years. This Contract must provide software solutions that conform to SOM IT policies and standards. All services and products provided as a result of this Contract must comply with all applicable SOM IT policies and standards in effect at the time the services are provided. Contractor must request any exception to SOM IT policies and standards. It will be the responsibility of the SOM to deny the exception request or to seek a policy or standards exception.

Contractor is required to review and adhere to, follow and be guided by all applicable links provided below.

Enterprise IT Policies, Standards and Procedures:
http://www.michigan.gov/dit/0,1607,7-139-34305---,00.html

All software and hardware requisites provided by the Contractor must run on, and be compatible with, the DTMB Standard Information Technology Environment. Except where superseded by specific SOM policies, Federal security standards and regulations including the NIST SP800-53 moderate controls apply. Additionally, the SOM must be able to maintain software and other items produced as a result of the Contract. Therefore, non-standard development tools may not be used unless approved by DTMB. The Contractor must request, in writing, approval to use non-standard software development tools, providing justification for the requested change and all costs associated with any change. The State's Project Manager and DTMB must approve any tools, in writing, before use on any information technology project.

It is recognized that technology changes rapidly. The Contractor may request, in writing, a change in the standard environment, providing justification for the requested change and all costs associated with any

change. Any changes must be approved, in writing, by the State's Project Manager and DTMB (Enterprise Architecture), before work may proceed based on the changed environment.

Enterprise IT Security Policy and Procedures:
http://www.michigan.gov/dit/0,1607,7-139-34305-108216--,00.html

The State's security environment includes:
- DTMB Secure Login
- DTMB provided SQL security database
- Secured Socket Layers
- SecureID (State Security Standard for external network access and high risk Web systems)

IT Strategic Plan:
http://www.michigan.gov/dit/0,1607,7-139-30637-135173--,00.html

IT eMichigan Web Development Standard Tools:
http://www.michigan.gov/documents/Look_and_Feel_Standards_2006_v3_166408_7.pdf

The State Unified Information Technology Environment (SUITE):
Includes standards for project management, systems engineering, and associated forms and templates – must be followed: http://www.michigan.gov/suite

1.104   Work and Deliverables

The Contractor shall provide deliverables, services and staff, and otherwise do all things necessary or incidental to provide the functionality required for the Office of Financial and Insurance Regulation business functions, in accordance with the requirements as set forth below and in the OFIR IS Functional Requirements, (Attachment 4), and the OFIR IS Technical Requirements, (Attachment 5). The below identified Work and Deliverables must be addressed by the contractor.

Article 1 shall be used to annotate a list of the Deliverables to be prepared and delivered by Contractor including, for each Deliverable, the scheduled delivery date and a designation of whether the Deliverable is a document ("Written Deliverable") a Software Deliverable, or a Service Deliverable. All Deliverables shall be completed and delivered for SOM review and written approval and, where applicable, installed in accordance with the SOM-approved delivery schedule and any other applicable terms and conditions of this Contract.

Acceptance Criteria
Acceptance criteria for Document, Software and Service Deliverables are listed in Section 1.501.

I.   Services (work) To Be Provided and Deliverables
It is desirable that the OIS Insurance COTS system functionality be installed and available within one year of Contract award date.

The deliverables described below are not necessarily all inclusive. The Contractor may propose other deliverables.

A. **Project Planning -** Project Planning covers those activities that require ongoing administrative oversight throughout all the OIS Insurance Regulatory implementation processes, from initiation to completion of the project. Planning also includes a number of plans that will guide and govern the project from requirements gathering/verification through deployment and also for preparing for the eventual assumption of responsibilities by the SOM. Project Planning includes ongoing administrative activities and deliverables required in Sections 1.300 and 1.400, and from below.

   Deliverables:
   1. **Detailed Project Plan** - within 15 business days of Contract Orientation meeting, the Contractor will update the draft Project Plan from their proposal. In addition to the requirements detailed in Section 1.301 Project Plan Management, the Project Work Plan will:

    a. Be provided in Microsoft Project, or equivalent project management tool, where milestones and tasking can be uploaded and annotated in Microsoft Project.

    b. Include a schedule and Gantt chart (for all project tasks, subtasks, and activities), milestones, and deliverables.

    c. Identify Contractor and State resources for all tasks, subtasks, and activities that exist as line items within the Project Plan, including those identified for the OIS Implementation.

    d. Include the following date-related information:
        i. Originally scheduled start and end dates for all tasks, subtasks, and activities (including milestones and deliverables)
        ii. Anticipated start dates for future tasks, subtasks, and activities
        iii. Anticipated end dates for all current and future tasks, subtasks, and activities

    e. Identify percent of work to be performed on-site and the percent of work to be performed off-site.

    f. Identify type of work to be performed on-site and the type of work to be performed off-site.

    Under no circumstances, unless specifically approved in a current SOW, shall any records or information, including coding, customizing or API/SDK language, regardless of format, content or structure, be transferred outside the State of Michigan or the location of the contractors facility. Furthermore, the Contractor shall not allow any external sources, including off-shore or out of state staff, subcontractors, or consultants regardless of physical location or employment status, to gain access to state records or information, including coding, customizing or API/SDK language, or other information generated as a result of this Contract without the specific written consent of both the agency for which the work is being performed and the Project Manager. The location of all storage (physical and digital), processing, production, server room, backup facilities etc., used to fulfill this Contract, shall be provided to the state.

    g. Include communication protocols for Contractor's interaction with the State project management team.

2. **Test Plan** – In collaboration with SOM, and on a date to be mutually agreed upon, the Contractor will provide a detailed plan for Interface Testing, User Acceptance Testing, Quality Assurance, Performance, and Operations Testing. The Test Plan Deliverable shall contain the following, at a minimum:
    a. Description of testing approach
    b. Definition of test cases or processes, in corroboration with SOM
    c. Resources from the State and Contractor
    d. Schedule
    e. Validation of test results
    f. Corrective action approach

Contractor must include the timeline for development and delivery of a detailed Test Plan into its detailed Project Plan deliverable.

Contractor must build a custom test plan for each project to suit the project's scope and goals; and meet the overall SOM objectives and to do so within SOM's available timelines.

The test plan will cover the following aspects:
1. Broad Scope of testing
2. Features to be tested
3. Risks in testing (if any)
4. Testing Strategy
5. Test Result Reporting Methods
6. Tools used in testing
7. Contractor Resources and Responsibilities
8. Testing Schedule

Contractor's development team lead is responsible for ensuring satisfactory level of Unit testing and integrated testing. The team lead will make planned internal release to Contractor's QA team. The QA team will perform the system testing as per the test plan and will log the defects in Contractor's proprietary web based defect reporting software, Defect Tracking System (DTS). Contractor will demonstrate DTS to SOM as a part of the project initiation stages.

The SOM must review and sign-off on the test plan.   Any areas not covered in the Test Plan may be considered out of testing scope.   The timeline will be adjusted to reflect any modifications made as a result of finalizing the Test Plan.

CONTRACTOR'S ROLE
Review SOM's project goals and objectives and finalize the Test Plan with SOM's assistance.

STATE'S ROLE
Review project goals and objectives and provide feedback on Contractor's draft Test Plan. Subsequently finalize the test plan with Contractor's assistance. State will also be responsible for developing User Acceptance Test cases and scenarios and provide them to Contractor in advance for review, comment and update.

B. **Provision of Software** – Contractor must provide for software licensing and for a description of the proposed architecture for a contractor-hosted system. Contractor must supply all hardware to be installed as well as full software services.

Software
At the SOM's option, Contractor must provide all the software and install and configure the system. Software includes the COTS software and any necessary 3rd party software. Contractor must provide a detailed description of the infrastructure requirements for the software proposed. For example, the database, operating systems (including versions), and hardware required for maximum effectiveness of the software. The proposed infrastructure requirements must provide for full redundancy of data and processing components with no single points of failure. Describe the proposed architecture, technology standards, and programming environment. The Contractor must provide software and installation services onto Contractor provided hardware unless otherwise agreed upon and accepted in this proposal. The software should provide licensing for approximately 150 OFIR business users and have the ability to expand as industry users are approved by OFIR to access the system.

Deliverables:
1. Licensed COTS software - Contractor will provide a State-wide license for Alis to be used to charge both State of Michigan OFIR users and the industry users of the system. The system shall not incorporate the use of any transaction fees.
2. Contractor must include the timeline for provision and implementation of software into its detailed Project Plan deliverable.

C. **Implementation -** consists of the Contractor planning, standing up, configuring, and testing of the COTS, Contractor-hosted solution. The implementation will include development of the interfaces to other State and Federal service systems. See OFIR Interface Requirements for a description of the interface requirements. The implementation will also include the development of a data dictionary for documenting the database schema. Once the contracted solution is readied, the Contractor will develop and run technical and user acceptance testing, prepare and provide operational and technical documentation, and conduct SOM training for users of the system. An iterative approach is recommended in order to step through this element of scope, with each cycle adding significant functionality to the system**.**

Deliverables:
1. **Implementation and configuration of the COTS system**

2. **Data Definition –** The Contractor shall provide the SOM with a data dictionary of their database schema, on a date to be mutually agreed upon and before implementation and configuration, in an electronic Oracle or Excel format. The data dictionary must include:

For each table:		For each column:
• Table name		• Table name
• Table definition		• Column name
• Table Primary Key		• Column definition
• Foreign Keys		• Data type
		• Data length
		• Data precision (where appropriate)
		• Data scale (where appropriate)

3. **Data Migration –** The Contractor will perform the data migration from the current systems' Oracle Database into the COTS database. The Contractor, OFIR and DTMB will work together to define the data requirements for what data needs to be migrated, data mapping requirements, and how the migration will occur. The Contractor can assume approximately 10 gigabytes of data to be migrated. The Contractor will develop the migration program. The following will be the migration deliverables:
   a. Migration requirements definition
   b. Migration plan/timeline
   c. Migration development
   d. Migration services

The approach to data migration will be to obtain the data dictionary, data model and metadata of the Oracle database.
- Perform the data mapping for each table and field. Document exceptions and cross reference tables.
- Write the migration scripts using stored procedures or similar scripting methods.
- Obtain a copy of the old data.
- Perform test run of the migration.
- Review the results
- Fine tune the scripts and perform another test run.
- Perform the final data migration at the appropriate time

STATE'S ROLE
Provide Contractor with the following information according to a timeline to be mutually established and agreed upon:

- Old database's data dictionary up-to-date with all the latest changes

- A data model of the old database in Erwin, Visio or in a similar graphical representation tool.

- Meta Data of the old database.

Provide clean data for data migration according to a timeline to be mutually established and agreed upon, such that it is free of any bad data, duplicates, etc.

Provide help and support to Contractor Data Migration team in understanding any complex implementation of business rules, integrity rules or any constraints that exist in the old database. This help is especially required in the database areas that may not be strongly documented.

Provide help and support to Contractor Data Migration team in providing and reviewing relevant information in preparing the data mapping document.

Ensure availability of staff, especially those who have knowledge of both technical and business aspects of the old database.

Data analysis and data clean up will be done in parallel with the requirements capture/verification stage.

CONTRACTOR'S ROLE
Contractor is responsible for managing and carrying out the data migration process from the beginning to the end. Specifically, Contractor will perform the following activities:
- Study the data dictionary, data model and any other documentation provided by SOM
- Analyzing the old data (once received from SOM) and submit any issues or questions to SOM for clarifications
- Prepare data mapping document and submit to SOM for their review and sign-off
- Prepare database migration scripts, test them and fine tune them
- Perform Test migration and data verification and validation
- Handling Migration Exceptions
- Perform the actual data migration
- Submit data migration results and the documentation emanating from the process to SOM

PROCESS OF DATA MIGRATION
Contractor must provide a Data Migration document, on a date to be mutually agreed upon, outlining the details of the data migration process and steps that will be performed in the SOM data migration.

4. **Interfaces**
The contracted solution will need to interface with numerous systems, applications, and databases. In many circumstances the contracted solution must support open Application Program Interface (API) calls.

Notation in the interface descriptions in the OFIR Interface Requirements identifies those that exist in the current system and those that are desired by the business as new functionality.

The list below is a consolidated annotation of the systems, applications, and databases that the contracted solution will need to interface with as part of this contract.

a) Interfaces to NAIC and NAIC approved systems, applications, and databases: NIPR, SPLD, PDB, RIRS, SAD, ETS, CDS, OLTPSPLP, and DSSPROD

b) Interface to the State of Michigan (SOM) general ledger (MAIN)

c) Interface with the State of Michigan's Centralized Electronic Payment Authorization System (CEPAS) for payment processing (many COTS systems may be exempted from CEPAS)

d) Interface to the State of Michigan (SOM) DELEG databases: CORPS and C3

e) Interface with Insurance Licensing Examination Contractor database (currently Prometric) to post examination results to solution database

f) Interface with OBase to bring data into the SOM domain for posting to the OFIR web site, the MB One Stop database, and other internal processes

g) Interface to the State Office of Administrative Hearings and Rules (SOAHR) Case Management System to access contested case information

The Contractor must provide an interface development plan for interfaces. The Interface planning activity will run in parallel to requirements capture/verification stage, and it will be detailed in the Interface development plan.

CONTRACTOR & STATE'S ROLE

The Contractor interface team will bring a set of document templates that are used to for documenting interface requirements in detail. The Contractor interface team members will work with SOM interface team to study and analyze existing interfaces and any changes/variations that may be required in the future interfaces. The Contractor interface team will also closely study technology requirements and analyze and design how future interface mechanisms would work according to the SOM's business and technical requirements, specifically for interfaces. The Contractor interface team will also analyze common objects and components that may work on multiple interface requirements for SOM. Based on all the above information, the Contractor interface team will present the detailed interface requirements specifications to the SOM's counterpart interface team for their feedback and approval. Subsequently the Contractor interface team will create SOM's interface development/customization and delivery plan and submit to SOM for approval. SOM interface team will review and comment on it and work with Contractor interface team to finalize it. The interface delivery plan will then become part of the overall project plan for the contracted project.

5. **Testing**
   a. As system functionality is configured and implemented, the Contractor will be required to provide comprehensive testing to validate functionality and performance.
   b. Testing will include:
      i. Interface testing
      ii. User acceptance testing
         1) User Acceptance Test (UAT) Cases –
            a) The Contractor will assist SOM in the development of test plans for User Acceptance Testing.
            b) The user acceptance test cases should include data edits and data validation criteria.
         2) User Acceptance Testing –
            a) The Contractor shall assist SOM to schedule, coordinate, monitor, and manage all User Acceptance Testing (UAT) activities.
            b) The SOM is responsible for providing end users and subject matter experts to perform the user acceptance testing.
            c) Users participating in UAT are expected to signoff on the test results at the completion of UAT, providing their recommendation to the State Project Manager for formal approval and readiness for production.
            d) State testers will update the test cases with the test results. If results are successful, they will provide their signoff by marking the test case as 'Passed'.
            e) The Contractor shall provide support for the duration of UAT. This support must include both business and technical assistance.
            f) The testing process will include the ability to provide for a complete test cycle.
            g) The Contractor shall support the UAT by:
               i) Monitoring system performance
               ii) Investigating why data was not processed
               iii) Monitoring computer resource usage
               iv) Participating in problem review meetings
               v) Investigating problems and identifying potential problems
               vi) Answering user questions about the system
               vii) Investigating and ensuring user access to the system in the UAT environment
               viii) Generally helping the users execute tests and review results
            h) For the purposes of this contract, a defect is anything that either adversely impacts the expected functionality to the users or otherwise reduces the quality of a work product. It includes items that should have been included but were omitted or items that were included but were incorrect. The Contractor must correct Level 1 and Level 2 defects discovered during UAT in a timely manner by following normal application development procedures – modifying the appropriate configuration items in the development environment, unit and integration testing the change, promoting the configuration item to the testing environment, quality assurance testing the change, and promoting the

change to the UAT environment. Defects will be classified according to the following severity scale:
- i) Level 1 – Causes a system outage
- ii) Level 2 – Major defect with no work around
- iii) Level 3 – Major defect with an agreed upon work around
- iv) Level 4 – Minor or cosmetic defect; no impact of ability to complete work

i) Promotions to UAT shall occur on a regularly scheduled basis unless it is an emergency situation (e.g., UAT cannot continue until problem is resolved).

j) The Contractor must have procedures and tools for tracking, reporting, and correcting deficiencies.
- i) Quality assurance testing
- ii) Performance testing
- iii) Operations testing:
  - 1) Identification of all operations areas requiring testing
  - 2) Sequence of activities for operations test
  - 3) State participants
  - 4) Results and implications for overall DM operation
  - 5) Deficiencies, corrective action, and required training

k) The Contractor shall conduct a walk-through of the testing process and the test results to enhance SOM understanding and to facilitate the SOM approval process, including a review of performance metrics and general "lessons learned" from all testing participants.

APPROACH

Contractor will bring pre-tested software modules for SOM's User Acceptance Testing (UATs). Prior to that, Contractor will complete most of the software testing process as per its own stringent guidelines (as detailed in this section) and any guidelines or specific testing requirements required by SOM. While Contractor does not expect SOM to perform any software code level testing, this will be at SOM's discretion, if SOM chooses to do so. Contractor will provide documentation of the testing and any test results for the SOM to review as deliverables.
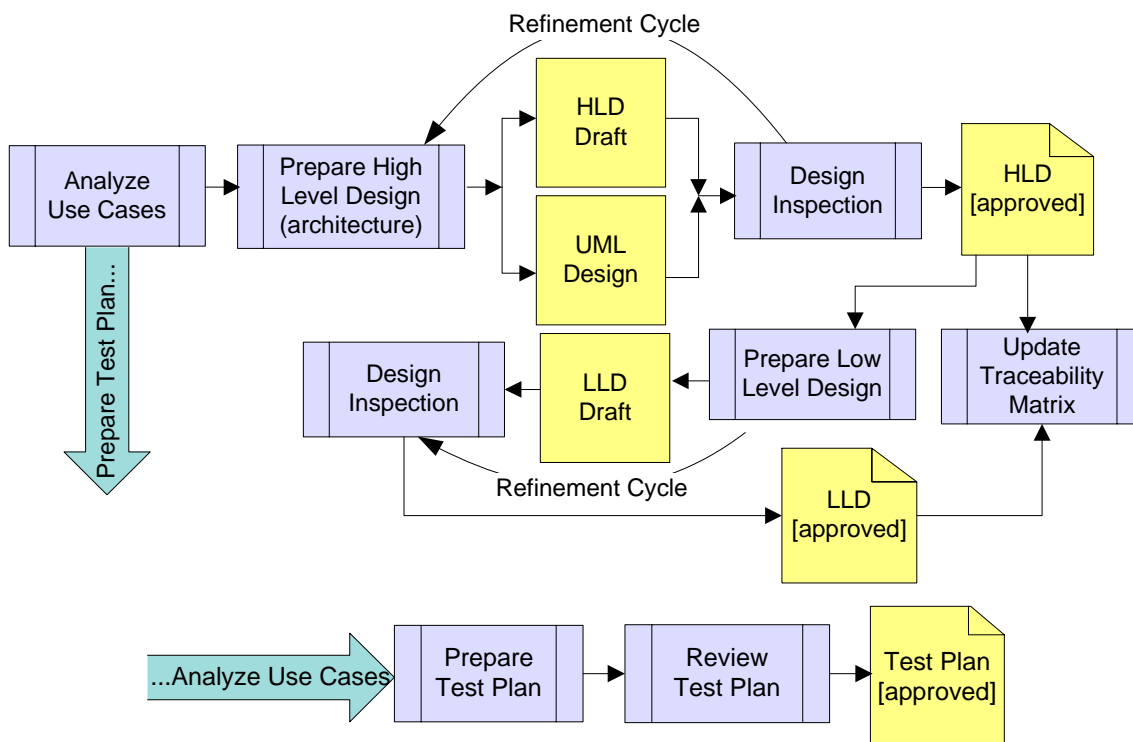
Figure 1: Contractor Process of creating Test Plans in overall design process

PROCESS
The overall Contractor QA process is fundamentally based on the work at the Carnegie Mellon University's Software Engineering Institute on the CMMI (Capability Maturity Model Integration) for software development. This involves process, repeatability and learning. The product team is primarily responsible to maintain the quality of the system supported by Contractor QA team. When any changes are made to the product, a release is made to the Contractor QA team. The Contractor QA team performs unit level testing and provides feedback. Each round of Testing generates automated scripts for the libraries maintained by the QA team and a central Project Office. The integrated product is then tested with teams in functional areas, splitting the testing into technical QA as it relates to responses, loads, and version control; and functional QA as it uses specialized expertise in different areas. Post integration testing, the tests are performed on pre-set simulated production environments before release of the version. All events in the cycle repeat on failure. All metrics are preserved and analyzed at regular review sessions.

Tools used in QA apart from proprietary processes are the SQA Suite from Rational Software Corporation for automated testing and management of test case libraries, and Microsoft Application Center Test for load testing.

Ongoing support is based on triage, with QA involved in two kinds of needs – evolution and repeatability metrics management to avoid similar calls/problems, and SCR's (software change requests) being generated to manage the definition and release of any patches to the current version or any enhancements for the next version.

Software quality assurance involves systematic activities providing evidence of the fitness for use of the total software product. Contractor's Quality Group works in conjunction with the project team and will seek to give quantifiable measures of "goodness" for the quality of the applications.
In the context of object-oriented architectures, testing encompasses the following dimensions:

Unit Testing: Involves testing individual classes and mechanisms and is the responsibility of the application engineer who implemented the structure. Unit testing involves execution of the unit test cases to evaluate implemented subprogram units, and tracking and resolving unit-level errors. This is accomplished as subprogram units are developed, and before they are integrated into larger components and programs units. Unit testing focuses verification effort on the smallest unit of software design – the module. Within the scope of "Black Box" testing by Contractor, a unit is one Screen and Unit testing is verifying its independent functioning.

Integration Testing: This is the phase of software testing in which individual software modules are combined and tested as a group. It follows unit testing and precedes system testing. Integration testing is a systematic testing technique for uncovering errors related to interfacing between various Units tested.

System Testing: It follows integration testing and Involves testing the system as a whole. It is the responsibility of the Contractor to provide a quality-assurance team. System tests are also typically used as regression tests by the integration team when it is assembling new releases. At this stage, testing will primarily focus on the system's external behavior and secondarily push the limits of the system to determine whether exception handling is sufficiently implemented.

Functional Testing: This type of testing would be based on approved use cases and business user work flows. Each use case would be independently tested as well as any combination that would result in a complete work flow scenario. Each work flow process will be tested just like a typical business user would use them while doing their daily job.

Regression Testing: Each time a new module is added as a part of Integration Testing, the software changes. These changes may cause problems with modules that previously worked flawlessly. To ensure that changes have not propagated unintended side effects some tests are re-executed and this is known as Regression Testing. Regression tests are used for comprehensive re-testing of software to validate that all functionality and features of previous builds (or releases) have maintained integrity of features and functions tested previously. This suite of tests includes the Full Functionality Tests and bug Regression Tests (automated and manual).

User Acceptance Testing: This is conducted in a staged and incremental manner. Joint Contractor-SOM Acceptance Committee will be created and will represent each of the user groups.

During each development cycle, testing is done in a subjective manner. The amount of detail, the data, and approach taken will be entirely up to the individual user. Each user is responsible for creating their own environment, selecting their data, and determining what functions, features, or tasks to explore. Each user is responsible for identifying their own criteria for whether to accept the system in its current state or not. The benefits of this form of testing are:

- End users implement testing and hence feel ownership
- Large volumes of potential test resources
- Increases customer satisfaction to those who participate
- Provides feedback to Contractor that will result in the team's better understanding of needs

Formal acceptance testing, which will be conducted at the end of the final iteration, is structured. The goal is to ensure that the system meets all documented requirements. Test plans will be designed based on the requirements and test cases selected with the support of the Joint Acceptance Committee. Using automated test tools, the test cases will be executed and the results reviewed by the Joint Acceptance Committee.

Using an automated approach to the acceptance testing clearly benefits the SOM in the following ways:

- The functions and features to be tested are known
- The details of the tests are known and can be measured
- Regression testing can be performed
- The progress of the tests can be measured and monitored
- The acceptability criteria are known

USE OF DEFECT TRACKING SYSTEM (DTS)
Contractor uses its own in-house built proprietary web-based software called DTS for Defect reporting, tracking and management throughout the project. DTS Access for the SOM will be provided during UAT stages so that State can see latest status and updates of the defects.

PROVISIONS
Following are Contractor's provisions for the test plans:

- The project scope and requirements will be well defined.
- The requirement specifications will be approved and signed off by SOM.
- Change requests will be managed via configuration management
- An iterative approach will be used for software development and releases

STATE'S ROLE
During the requirements capture and verification stage, relevant SOM Subject Matter Experts (SMEs) and business users are available to meet with Contractor business analysts to explain and clarify the requirements.

SOM to identify, in advance, all the major scenarios, uses cases, processes and work flows. Ideally, SOM would have ready any documentation, materials or information that may be helpful for Contractor Business Analysts to understand State's requirements.

SOM to identify the key stakeholders who would sign off on such requirements.

SOM to prepare UAT Test Cases and scenarios for each software module and provide them to Contractor on an agreed upon schedule. Contractor will provide document templates and/or assistance to SOM staff in preparing UAT Test cases and scenarios to SOM at no additional charge. Once the UAT Test cases and scenarios are available to Contractor, Contractor's testing team will review them and provide feedback and thoughts.

State to provide any specific testing guidelines and testing requirements, especially those without which State would not accept the software.

SOM to provide sufficient UAT test data to Contractor to capture variance and volume of the data as present in the future production environment.

CONTRACTOR'S ROLE
Contractor will perform and document the results of the following types of testing. The results of such testing will be made available to the SOM on a to-be-determined schedule.
- Unit Testing
- Integration Testing
- System Testing
- Functional Testing
- Regression Testing
- Pre-execute UATs in Contractor's own dedicated SOM test environment

6. **Documentation (Operations and Technical) –** Contractor shall provide all documentation identified in Article I, Statement of Work. The Contractor shall produce and update documentation for the system, including system documentation (i.e., Operations Manual) and COTS documentation.
    a. Final versions of these documents are due before implementation as well as at interim time periods as agreed upon by the Contractor and the SOM.
    b. The Operations Manuals shall include the following components:
        i. Object model
        ii. System architecture
        iii. High-level interaction between modules/packages
        iv. Backup procedures
        v. Batch schedule and procedures
        vi. Standard system tasks such as starting up and shutting down software and servers
    c. The Operations Manual should be sufficient to provide initial training for technical staff.
    d. One electronic version and one hardcopy of the technical documentation shall be provided to the SOM initially, and as updates are made.
    e. Updated Documentation – The Contractor will update any documentation that has been previously created by the Contractor to reflect the updated and enhanced functionality of the application/system.
    f. The Contractor will provide updated versions of all systems, user, and operations documentation prior to the implementation date.
    g. The documentation materials shall be delivered to the SOM, upon the completion of the installation.
    h. The Contractor shall grant the SOM permission to reproduce for internal use, documentation for technical support purposes even if such material has a copyright.

APPROACH
Contractor will deploy a dedicated team of technical writers to manage documentation on the project, especially the user manuals and operational manuals. The Contractor document team will make the user manuals easy to read and understand by SOM business users.

At this stage the technical writing team starts putting together a high-level outline to document templates for the user manuals. As the requirements are finalized by the SOM, the Contractor documentation team starts adding workflow information to the manuals. Half way into the system's operational readiness or customization phase, the documentation team becomes fully engaged in building the manuals. As the system screens are finalized, the documentation team starts adding them to the manuals. The early versions of the manuals are submitted to the SOM for review and feedback. Several iterations of the manual may occur as the final version is released for SOM approval.

The technical documentation and artifacts developed on the project listed below will be progressively developed as the project progresses.

- Use Cases
- Software/System Requirement specifications (SRS)
- Implementation and roll-out plan
- Project Management Plan
- Project Schedule (Attachment 2 – Project Plan)
- Object Model
- Data Model and Data Dictionary
- Design and Architecture document
- Interface Documents
- Data Migration document (Contractor Data Migration)
- Data Mapping document
- Test Plan

Contractor will provide samples/examples of the proposed documentation. SOM will assess the quality of work and documentation expertise, make a determination as to Contractor's depth of understanding of finer level of details of insurance regulatory business, and request adjustments to work and/or documentation as necessary to meet SOM requirements.

STATE'S ROLE
SOM to review all documents and provide feedback to Contractor . The strategic points, when these documents will be delivered, will be mutually agreed upon. SOM will be responsible for signing-off on these documents.

CONTRACTOR'S ROLE
Contractor will be writing the documentation and will be responsible for tracking the revisions of the documents. Contractor is responsible for incorporating SOM's feedback on these documents and obtaining SOM sign-off.

DOUCMENTATION DELIVERY
Contractor will provide all the documentation in the electronic format unless indicated otherwise. The documents will be delivered in their native form word document at a time as mutually agreed upon.

7. **Administrative and End User Training -** The Contractor shall provide training for the OFIR Insurance staff involved with the project. SOM staff will need to be properly trained and supplied with the proper tools and documentation in order to use, monitor, operate, and configure the application in accordance with the requirements of this Contract and the accepted Contractor's proposal. The Contractor shall plan on training approximately 200 End Users (approximately 10 at a time) and 10 Administrators at SOM training facilities in Lansing Michigan (see training description below). (Contractor shall recommend the number of training days required for training in the Pricing Tables.)
    a. Develop a training plan for the various users of the system.
    b. Conduct training for SOM staff and end users in order for them to use, monitor, and operate the OFIR IS solution as specified in the contract.
    c. The Contractor shall be responsible for providing training sessions for the following categories:
        i   Administrative training such as assigning end user security, functional roles, creation of workflows, importing of batch images, and batch processing of electronic files.
        ii End user training such as introduction to all base functionality of the application, the filing of documents from all sources (e.g., MS Office, ESRI, e-mail, paper, existing network drives).
    d. The Contractor shall be responsible to provide all required copies for classroom sessions.
        i   A student manual including additional practical exercises in the back of the manual that the end user can complete upon return to their work location.

ii   Manuals should include curriculum by functionality, with sufficient examples and exercises to accomplish the stated training objective of assuring that end users gain the skills necessary to perform their job functions.

e.   The Contractor shall also create any other necessary training aids such as presentation outlines and audio-visual materials. Additional training materials may include Computer-Based Training (CBTs), CDs, videos, and virtual classrooms. An introduction to these items should be provided during the classroom training, with the intent that these materials supplement the training received by students upon their return to their work location.

f.   All training materials shall be delivered to the SOM in electronic format upon the completion of the implementation.

g.   **The Contractor shall grant the SOM permission to reproduce, for internal use, documentation for training purposes even if such material has a copyright.**

Contractor will provide a cross between classroom support training and train-the-trainer approach. The SOM "Trainer" will be responsible for training all end users on the new system and will be assisted by a Contractor lead trainer. All training sessions will be customized to SOM specific requirements.

Contractor and SOM will mutually agree upon separate training sessions for the following types of SOM staff members:

Application Administrator Training: This type of training will cover in detail System Administration, managing User Accounts, Login, Password, User privileges, System configurability items, and System maintenance items.

Supervisors and Managers: A full system overview will be provided with emphasis on introducing backbone features of the application. Key areas of the application where summary information is located entered and maintained will be covered during this training. System functions that help them manage and providing oversight in system use, will be focused on. Their training will also cover details of Management reports available in the system and how to generate and print them. This training is expected to exceed two half a day sessions and is not likely to be as extensively hands on as the next group's training.

Business Staff: Training to this group would be the most involved and will have its own detailed training agenda. The staff in this group would be expected to become most proficient in new system use. They will also learn the most out of the new system and leave enriched with new system capabilities after each training session. The training sessions would cover system features and functions that will allow them to accomplish their daily activities. This will include but not limited to key business activities such as: Licensing and Renewals, Company Affairs, CE and Courses, Pre-Licensing, SOP, Investigations and Market Conduct, Company Filings, Taxes, Complaints/Consumer Services, and Enforcement.

Administrative Staff: Optional training to familiarize the group to the system functions that will help them assist managers and supervisors and processing reports from the system.

IT Staff: Training for the IT staff would include a system overview covering technical aspects of the system as well as the interfaces.

D. **System Maintenance and Support Services for Contractor-hosted Systems**
Contractor is fully responsible to manage and administer its Contractor-hosted system. In that regard, the Contractor shall supply annual software maintenance and support services that provide systems management (e.g., develop and provide corrections, changes, or workarounds for any defects, errors, or malfunctions in the Contractor software and that also provide new versions, updates and/or enhancements to current versions of the Contractor-hosted software), Disaster Recovery (e.g., take all reasonable steps to have data anomalies repaired and data loss in the Contractor-hosted software minimized), Security Administration (e.g., provide a means to monitor and authorize limited access to the system on an as needed basis), and Storage Services (e.g., provide for the repository and retrieval of data accumulated by OIS users).

Deliverables:
Contractor-hosted Maintenance and Support Services: Contractor will provide system support services as a part of this Contract as part of the SLA, support model process to provide support in two ways:
- Telephone
- Email

Contractor support team will strive resolve all telephone support inquiries at the time of the call. When receiving email support inquiries, a specific email support process is followed for problem resolution.

Contractor will provide phone and email support during regular business hours (8 AM-6PM Monday through Friday Eastern time).

Contractor shall NOT hold SOM responsible for any additional costs or expenses incurred by Contractor in the performance of work described above, which includes but is not limited to: travel, lodging, meals, and other miscellaneous expenses otherwise incurred by Contractor.

E. Reserve Bank of Hours
The Contractor will provide an as-needed reserve bank of 2500 hours (approximately 500 annually) for future development activities, scope modifications, enhancements, or work that does not fall under the definition of "maintenance" as defined in the Contract.

The rates for the reserve bank should be scheduled over the length of the Contract (5 years). The SOM will issue separate Statements of Work to the Contractor for the work requested and the Contractor will provide a written price proposal. Upon review and approval of the DTMB Project Manager, a Purchase Order release will be issued to the Contractor for the project to begin. The hourly rates will be as in the OFIR IS Price Labor Rates Table, (Attachment 6).

This reserve bank will be for future development services to meet new requirements resulting from:
- Future enhancements will be required based on federal and state requirements. A separate Statement of Work will be written for any required enhancements. The Contractor must be able to respond to requests to modify the system to meet future needed functionality, including permission from the proprietary software Contractor if needed.
- Application Adjustments & New Development - Contractor must provide the ability to request changes or new development work of the Systems. Such work must be provided under a maintenance agreement, or at prevailing market rates.
- Interoperability Development with Other Applications - Contractor must provide the ability to request integrations or interoperability with other products or services of the system such as enhanced financial functionality. Such work must be provided under a maintenance agreement, or at prevailing market rates.
- Systems Interface Development and Adjustments- Contractor must provide the ability to request changes or customizations to the application user interface of the System. Such work must be provided under a maintenance agreement.

The Reserve Bank of Hours may be used for:
1. Customization and new interfaces, which includes documentation
2. Updated training of SOM users
    a. The Contractor will update any documentation that has been previously created by the Contractor to reflect the updated and enhanced functionality of the application/system.
    b. Data migration scripting and services
    c. The Contractor will provide updated versions of all systems, user, and training documentation prior to the implementation date.
    d. Documentation must meet all requirements of the prior Documentation deliverables as stated in subsection 6 and be provided in electronic and hard copy.

Contractor acknowledges that each agency/organization has specialized needs, and therefore changes will not be made based upon a consortium approach. Contractor will approach each change as a development initiative applying its CMMI rated methodology. Development artifacts such as Requirement Specification documents will be produced and signed off upon by all stakeholders.

Contractor will follow an iterative development approach for all newly developed features. Documentation for the system will be updated and training will be provided as the SOM determines necessary. This approach essentially mimics Contractor's approach in implementing the initial ALiS system.

II. Requirements

Functional, Technical, and Service Level Agreement requirements are contained in Attachments as specified.

A. **Functional Requirements –** Functional capabilities for the application are listed in the OFIR table.

B. **Service Level Agreement** requirements are provided in Attachment 3.

1.200   Roles and Responsibilities

1.201 Contractor Staff, Roles, and Responsibilities

The Contractor will provide for staff, including subcontractors, who will be assigned to the Contract, indicating the duties/responsibilities and qualifications of such personnel, and stating the amount of time each will be assigned to the project. The competence of the personnel the Contractor proposes for this project will be measured by the candidate's education and experience with particular reference to experience on similar projects as described in this Statement of Work. The Contractor will commit that staff identified in its proposal will actually perform the assigned work.

Contractor must provide a list of all subcontractors, including firm name, address, contact person, and a complete description of the work to be contracted. Include descriptive information concerning subcontractor's organization and abilities.

The Contractor must submit a letter of commitment for Key Personnel, signed by the identified resource, stating their commitment to work for the contractor/subcontractor on this project contingent on award of the bid. If the identified personnel are currently assigned to a State project the Contractor must provide a letter signed by the State Project Manager releasing the individual from the project upon execution of the contract.

The Contractor will provide, and update when changed, an organizational chart, (Attachment 1 of the proposal), indicating lines of authority for personnel involved in performance of this Contract and relationships of this staff to other programs or functions of the firm. This chart must also show lines of authority to the next senior level of management and indicate who within the firm will have prime responsibility and final authority for the work.

The Contractor will identify a Single Point of Contact (SPOC). The duties of the **SPOC** shall include, but not be limited to:
- supporting the management of the Contract
- facilitating dispute resolution
- advising the State of performance under the terms and conditions of the Contract

The SOM reserves the right to require a change in the current SPOC if the assigned SPOC is not, in the opinion of the SOM, adequately serving the needs of the SOM.

All Key Personnel may be subject to the State's interview and approval process. Any key staff substitution must have the prior approval of the SOM. The SOM has identified the following as key personnel for this project:
- Project Manager
- Technical Lead

The Contractor will provide a project manager / technical lead to work closely with the designated personnel from the SOM to insure a smooth transition to the new system. The project manager/technical lead will coordinate all of the activities of the Contractor personnel assigned to the project and create all reports required by SOM. The Contractor's project manager/technical lead responsibilities include, at a minimum:
- Manage all defined Contractor responsibilities in this Scope of Services
- Manage Contractor's subcontractors, if any
- Develop the project plan and schedule, and update as needed
- Serve as the point person for all project issues
- Coordinate and oversee the day-to-day project activities of the project team
- Assess and report project feedback and status
- Escalate project issues, project risks, and other concerns
- Review all project deliverables and provide feedback
- Proactively propose/suggest options and alternatives for consideration
- Utilize change control procedures
- Prepare project documents and materials
- Manage and report on the project's budget

The Contractor will provide sufficient qualified staffing to satisfy the deliverables of this Statement of Work.

On Site Work Requirements

1. Location of Work
For a SOM hosted solution the work is to be performed, completed, and managed at the SOM offices in Lansing, Michigan. If the solution is Contractor hosted, work locations will be planned by DTMB and the Contractor during the project planning phase.

2. Hours of Operation
Normal SOM working hours are 8:00 a.m. to 5:00 p.m. EST, Monday through Friday, with work performed as necessary after those hours to meet project deadlines. No overtime will be authorized or paid.

The SOM is not obligated to provide SOM management of assigned work outside of normal SOM working hours. The SOM reserves the right to modify the work hours in the best interest of the project.

Contractor shall observe the same standard holidays/furlough days as state employees. The SOM does not compensate for holiday pay.

3. Travel
No travel or expenses will be reimbursed. This includes travel costs related to training provided to the State by Contractor. Travel time will not be reimbursed.

4. Additional Security and Background Check Requirements
Contractor must present certifications evidencing satisfactory Michigan State Police Background checks (ICHAT) and drug tests for all staff identified for assignment to this project.

In addition, proposed Contractor personnel will be required to complete and submit an RI-8 Fingerprint Card for the National Crime Information Center (NCIC) Finger Prints, if required by project.

Contractor will be responsible for any costs associated with ensuring their staff meets all security requirements.

1.202 State Staff, Roles, and Responsibilities

The SOM project team will consist of Executive Subject Matter Experts (SMEs), project support, and a DTMB project manager.

Executive Subject Matter Experts

The SME representing the business units involved will provide the vision for the business design and how the application shall provide for that vision. They shall be available on an as needed basis. The SMEs will be empowered to:

- Resolve project issues in a timely manner
- Review project plan, status, and issues
- Resolve deviations from project plan
- Provide acceptance sign-off
- Utilize change control procedures
- Ensure timely availability of State resources
- Make key implementation decisions, as identified by the Contractor's project manager, within 48-hours of their expected decision date.

Name	Agency	Title
Stephen Hilker	OFIR	Chief Deputy Commissioner, Office of Finance and Insurance Regulation
Catherine J. Kirby	OFIR	Deputy Commissioner, Consumer Serviced Division
Renee J. Ortlieb	OFIR	Director, Human Resources and Budget Division
Jean M. Boven	OFIR	Deputy Commissioner, Licensing & Product Review Division

SOM Project Manager

DTMB will provide a Project Manager. DTMB will be responsible for the SOM's infrastructure and work together with the Contractor in determining the system configuration.

The SOM's Project Manager will provide the following services:
- Provide SOM facilities, as needed
- Coordinate the SOM resources necessary for the project
- Facilitate coordination between various external contractors
- Facilitate communication between different SOM departments/divisions
- Provide acceptance and sign-off of deliverable/milestone
- Review and sign-off of timesheets and invoices
- Resolve project issues
- Escalate outstanding/high priority issues
- Utilize change control procedures
- Conduct regular and ongoing review of the project to confirm that it meets original objectives and requirements
- Document and archive all important project decisions
- Arrange, schedule and facilitate SOM staff attendance at all project meetings.

Name	Agency/Division	Title
Vaughn Bennett	DTMB	Senior Project Manager

MDIT shall provide a Contract Administrator whose duties shall include, but not be limited to, supporting the management of the Contract.

Name	Agency/Division	Title
Sara Williams	DTMB	Contract Administrator

1.300   Project Plan

1.301 Project Plan Management

Preliminary Project Plan
Contractor will provide a Project Plan, (Attachment 2), with the proposal including necessary time frames and deliverables for the various stages of the project and the responsibilities and obligations of both the Contractor and the SOM.

1. In particular, the Preliminary Project Plan will include a MS Project plan or equivalent (check PMM standard):
    a. A description of the deliverables to be provided under this contract.
    b. Target dates and critical paths for the deliverables.
    c. Identification of roles and responsibilities, including the organization responsible. Contractor is to provide a roles and responsibility matrix.
    d. The labor, equipment, materials and supplies required to be provided by the State in meeting the target dates established in the Preliminary Project Plan.
    e. Internal milestones
    f. Task durations

2. The Preliminary Project Plan shall include the following deliverable/milestones for which payment shall be made:
    a. Payment to the Contractor will be made upon the completion and acceptance of the deliverable or milestone, not to exceed contractual costs of the phase. A milestone is defined as complete when all of the deliverables within the milestone have been completed.
    b. Failure to provide deliverable/milestone by the identified date may be subject to liquidated damages as identified in Article 2.

A. Orientation Meeting
1. Within **10** business days from Contract signing, the Contractor will be required to attend an orientation meeting to discuss the content and procedures of the Contract.
2. The meeting will be held in Lansing, Michigan, at a date and time mutually acceptable to the SOM and the Contractor.
3. The SOM shall bear no cost for the time and travel of the Contractor for attendance at the meeting.

B. Performance Review Meetings
1. The SOM will require the Contractor to attend monthly meetings in order to review the Contractor's performance under the Contract.
2. The meetings will be held in Lansing Michigan, or by teleconference, as mutually agreed by the SOM and the Contractor. The Contractor should anticipate one (1) onsite meeting in any three month period.
3. The SOM shall bear no cost for the time and travel expenses of the Contractor for attendance at the meeting.
4. The meetings shall not be considered begun or complete until initiated by the SOM.

C. Project Control
1. The Contractor will carry out this project under the direction and control of OFIR and DTMB for implementation.
2. Within **15** business days of the Contract Orientation Meeting, the Contractor will submit the updated project plan to the State project manager for final approval.
    a. This project plan must be in agreement with Article 1, Section 1.104 Work and Deliverables, and must include the following:
        i. The Contractor's project organizational structure.
        ii. The Contractor's staffing table with names and title of personnel assigned to the project. This must be in agreement with staffing of accepted proposal. Necessary substitutions due to change of employment status and other unforeseen circumstances may only be made with prior approval of the SOM.

iii. The project work breakdown structure (WBS) showing sub-projects, activities and tasks, and resources required and allocated to each.
iv. The time-phased plan in the form of a graphic display, showing each event, task, and decision point in the WBS.

3. The Contractor will manage the project in accordance with the SUITE methodology which includes standards for project management, systems engineering, and associated forms and templates which is available at http://www.michigan.gov/suite
   a. Contractor will use an automated tool for planning, monitoring, and tracking the Contract's progress and the level of effort of any Contractor personnel spent performing Services under the Contract. The tool shall have the capability to produce:
      i. Staffing tables with names of personnel assigned to Contract tasks.
      ii. Project plans showing tasks, subtasks, deliverables, and the resources required and allocated to each (including detailed plans for all services to be performed within the next 20 business days, updated semi-monthly).
      iii. Updates must include actual time spent on each task and a revised estimate to complete.
      iv. Graphs showing critical events, dependencies and decision points during the course of the Contract.
   b. Any tool(s) used by Contractor for such purposes must produce information of a type and in a manner and format that will support reporting in compliance with the SOM standards.

1.302 Reports

Reporting formats must be submitted to the SOM's Project Manager for approval within 15 business days after the Contract signing. Once both parties have agreed to the format of the report, it shall become the standard to follow for the duration of the contract.

A. Written monthly summaries or progress reports that outline work accomplished during the reporting period, work to be accomplished during the subsequent reporting period, if known; problems, real or anticipated, which should be brought to the attention of the SOM Project Manager, and notification of any significant deviation from the previously agreed upon work plans. All areas of decision-making that pertain to this Contract must be reviewed in detail with the SOM Project Manager prior to any final decision. Each monthly progress report will contain the following:

1. Project schedule status.
   a. Identify if the project is on schedule or if there is any deviation from the previously agreed upon schedule.
   b. If the project has deviated from the previously agreed upon schedule, identify the reason for the deviation and the affected areas.
   c. Identify in detail the steps that will be taken to resolve the deviation.
   d. Specify any schedule adjustments that have resulted from the deviation.
2. Activities of the past month (reporting period) - Summarize the actions taken and progress made on the project during the past month.
3. Activities for the next month - Summarize the actions planned for the next month in order to meet the project delivery and performance schedule requirements.
4. Deliverables - Identify deliverables delivered to SOM and impacted state Agencies in the past month and deliverables planned for delivery to SOM and impacted SOM agencies in the following month.
5. Issues - Identify problems, difficulties, either anticipated or encountered, and suggested solutions.
6. Resolution of prior issues - Identify resolutions to issues identified in previous progress reports.
7. Percentage completed, and then Estimate To Complete (ETC). Indicate the percentage completed for each task defined in the work plan during the past month, the total percentage completed for each task, total percentage completed for the development phase, and the total percentage completed for the project phase. Indicate ETC for tasks reported.

B. The Contractor will maintain progress and resource schedules for all tasks under this contract. This documentation will include, as appropriate, progress Gantt charts, resource schedule reports, and progress reports. The Contractor is responsible for tracking hours expended on each task.

C. All documentation prepared by the Contractor must be submitted to SOM as both a printed hard copy and in Microsoft Word electronic or mutually agreed to format. SOM and the Contractor must mutually agree upon alternative electronic formats.

D. The Contractor's name, logo, or other company identifier may not appear on documentation delivered to the SOM without written authorization from the Contract Administrator. An exception to this will be transmittal of cover letters showing delivery of said documents and invoices.

E. All documentation submitted to SOM by the Contractor must contain a title page with the following information:
   1. Contract Number
   2. Contract Expiration Date
   3. Task Name (if applicable)
   4. Deliverable Name
   5. Name of Contractor
   6. Contractor Project Manager
   7. Date of Deliverable or Report
   8. Time Period of Deliverable or Report

F. All reports and deliverables to be furnished by the Contractor, as described in Section 1.104, Work and Deliverables, will be delivered to the SOM Project Manager for their approval.

G. The Contractor will inspect all reports and deliverables for accuracy and adequacy prior to delivery.

Contractor Project Manager will hold weekly meetings with SOM Project Manager to discuss, at a minimum:
 a) Progress of Project (project plan will be taken as a baseline)
 b) Issues if any
 c) Risk assessment
 d) Prioritize the project schedule if needed
 e) Provide timesheet if required
 f) Written format of report

1.400   Project Management

1.401 Issue Management

An issue is an identified event that if not addressed may affect schedule, scope, quality, or budget.

The Contractor shall maintain an issue log for issues relating to the provision of services under this Contract. The issue management log must be communicated to the SOM Project Manager on an agreed upon schedule, with e-mail notifications and updates. The issue log must be updated and must contain the following minimum elements:
   1. Description of issue
   2. Issue identification date
   3. Responsibility for resolving issue.
   4. Priority for issue resolution (to be mutually agreed upon by the SOM and the Contractor)
   5. Resources assigned responsibility for resolution
   6. Resolution date
   7. Resolution description

Once the Contractor or the SOM has identified an issue, the Contractor shall follow these steps:
   1. Immediately communicate the issue in writing to the SOM Project Manager.
   2. The Contractor will log the issue into an issue tracking system.
   3. Identify what needs to be done and resources needed to correct the issue.
   4. Receive approval from the SOM Project Manager for appropriate action.

5. Keep SOM Project Manager and appropriate parties informed on status of issue based on frequency established by the SOM Project Manager
6. At least monthly provide a listing of all issues with their current status, deadlines to correct and actual dates of completion that have occurred to the SOM Project Manager

Issues shall be escalated for resolution from level 1 through level 3, as defined below:
Level 1 – Business leads
Level 2 – Project Manager
Level 3 – Executive Subject Matter Experts (SMEs)

1.402 Risk Management

A risk is an unknown circumstance or event that, if it occurs, may have a positive or negative impact on the project.

The Contractor is responsible for establishing a risk management plan and process, including the identification and recording of risk items, prioritization of risks, definition of mitigation strategies, monitoring of risk items, and periodic risk assessment reviews with the SOM.

A risk management plan format shall be submitted to the SOM for approval within twenty (20) business days after Contract signing. The risk management plan will be developed during the initial planning phase of the project, and be in accordance with the SOM PMM methodology. Once both parties have agreed to the format of the plan, it shall become the standard to follow for the duration of the contract. The plan must be updated bi-weekly, or as agreed upon.

The Contractor shall provide the tool to track risks. The Contractor will work with the SOM and allow input into the prioritization of risks.

The Contractor is responsible for identification of risks for each phase of the project. Mitigating and/or eliminating assigned risks will be the responsibility of the Contractor. The SOM will assume the same responsibility for risks assigned to them.

1.403 Change Management

Change management is defined as the process to communicate, assess, monitor, and control all changes to system resources and processes. The SOM also employs change management in its administration of the Contract.

If a proposed Contract change is approved by the Agency, the Contract Administrator will submit a request for change to the DMB, Purchasing Operations Buyer, who will make recommendations to the Director of Purchasing Operations regarding ultimate approval/disapproval of change request. If the DMB Purchasing Operations Director agrees with the proposed modification, and all required approvals are obtained (including State Administrative Board), the Purchasing Operations Buyer will issue an addendum to the Contract, via a Contract Change Notice. **Contractors who provide products or services prior to the issuance of a Contract Change Notice by the DMB Office of Purchasing Operations risk non-payment for the out-of-scope/pricing products and/or services.**

The Contractor must employ change management procedures to handle such things as "out-of-scope" requests or changing business needs of the SOM while the migration is underway.

The Contractor will employ the change control methodologies to justify changes in the processing environment, and to ensure those changes will not adversely affect performance or availability.

ISSUE MANAGEMENT
Issues will be managed as a joint process of identification and management. Any project team member can raise issues at any time. The Contractor project manager will maintain an issues log to track the date and description of the issue, who raised it, when it needs resolving, the priority of the issue, and comments on the progress of the issue. In particular, the Contractor Project Manager's job is to assign a person responsible for taking action on the issue and periodically report back to the team on its status until closed.

Project issues may overlap with SOM Project team issues or overall SOM team issues. The Contractor Project Manager's job is to coordinate issue management with SOM Project Manager to ensure that prompt action is taken and that product development progress is not significantly impacted. Contractor expects that such situations will be resolved during periodic liaison meetings between Project Managers or by raising issues with appropriate persons, as required. An Issue Log forms a core piece of documentation of the project. Contractor will make this accessible to the SOM to ensure there is open accountability for audit and review.

Contractor's issue escalation procedure will help to ensures rapid communication with upper management in if the project begins to deviate from cost or schedule, or when decisions need to be made in response to any internal or external contingencies. This escalation determines which level of upper management to contact depending on the degree of variance from the project plan. The escalation process is further refined for each project based on the project size and specific needs.

Contractor recommends scheduling formal and informal weekly review meetings with the SOM PM to mutually share the progress of the project and to get and the required input and feedback from the SOM PM and other stakeholders. Contractor's focus is to ensure that all of us, most importantly our customer maintain a good understanding of project progress throughout the project lifecycle.

Contractor also recommends scheduling monthly program review meetings between SOM PM, OFIR Senior Management and Contractor Account Manager and Application Director over a conference call. The meetings will serve as a vehicle for provide project status updates and to arrive at collective decisions regarding steps that need to be taken on the project in the following month.

RISK MANAGEMENT
Contractor will establishes a risk management plan during project initiation and will maintain this plan throughout the project. Contractor's methods and proposed approach for developing this plan, its format, deliverables, and key players are described below.

Risk management planning is critical to the successful management of any project. Risk management sets forth a discipline and environment of proactive decisions and actions to:

Assess continuously what can go wrong (i.e., risks);
Determine which risks are important to deal with and when;
Implement strategies to deal with those risks.

Formulation of a risk management plan will be conducted during the project initiation stage of a project and will be monitored and maintained throughout the project lifecycle.

Contractor uses the Software Engineering Institute's (SEI) Team Risk Management approach as a risk management paradigm that extends risk management with team-oriented activities involving the government and Contractor where government and Contractor apply methods together. The following SEI diagram shows the major risk management processes that will also apply to this project.
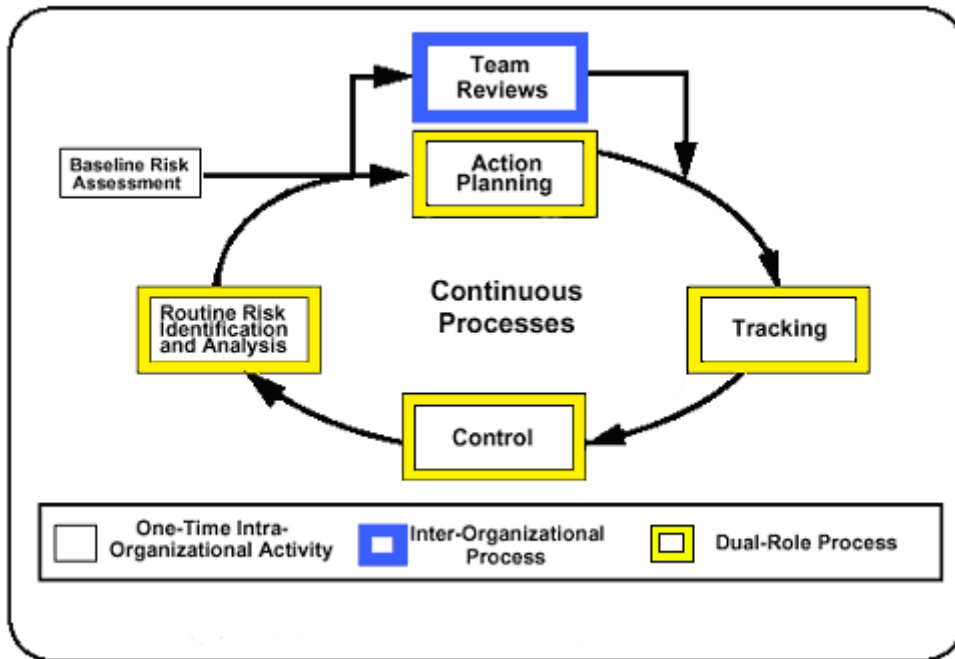
Contractor Risk Management Process

The SOM Project Team and the Contractor Project Team will implement concurrent risk management processes to continuously manage risks as an integral part of project management activities.

The SOM PM and the Contractor PM will use formal weekly joint reviews to share information on risk management activities and to agree on risks that are to be jointly managed by the SOM and Contractor.

A mutually agreed upon tracking tool will be used by the Contractor to log and monitor all risks being managed by the respective SOM and Contractor teams.

Contractor will regularly report on risks status as part of the project status reporting process and hold monthly joint review sessions with SOM stakeholders.

SEI and Contractor defines a comprehensive risk categorization scheme that enables the project team to clarify, group and manage the various types of risk. The scheme has been provided below:

Table: Risk Categorization Scheme

A. Product Engineering	B. Development Environment	C. Program Constraints
1. Requirements a. Stability b. Completeness c. Clarity d. Validity e. Feasibility f. Precedent g. Scale	1. Development Process a. Formality b. Suitability c. Process Control d. Familiarity e. Product Control	1. Resources a. Schedule b. Staff c. Budget d. Facilities
2. Design a. Functionality b. Difficulty c. Interfaces d. Performance	2. Development System a. Capacity b. Suitability c. Usability d. Familiarity	2. Contract a. Type of Contract b. Restrictions c. Dependencies

A. Product Engineering	B. Development Environment	C. Program Constraints
e. Testability f. Hardware Constraints g. Non-Developmental Software	e. Reliability f. System Support g. Deliverability	
3. Code and Unit Test a. Feasibility b. Testing c. Coding/ Implementation	3. Management Process a. Planning b. Project Organization c. Management Experience d. Program Interfaces	3. Program Interfaces a. Customer b. Associate Contractors c. Subcontractors d. Prime Contractor e. Corporate Management f. Vendors g. Politics
4. Integration and Test a. Environment b. Product c. System	4. Management Methods a. Monitoring b. Personnel Management c. Quality Assurance d. Configuration Management	
5. Engineering Specialties a. Maintainability b. Reliability c. Safety d. Security e. Human Factors f. Specifications	5. Work Environment a. Quality Attitude b. Cooperation c. Communication d. Morale	

The risk management plan will include each ongoing risk to be categorized, assessed, and prioritized both within teams and jointly across teams. Mitigating strategies will be devised for key risks and be monitored throughout the lifecycle of the project.

CHANGE MANAGEMENT
Contractor believes that controlling and managing scope change is very critical to timely completion and budgetary success of any project. Scope changes can significantly impact the cost, schedule, risks and quality of the entire effort and may also affect project objectives.

In Contractor's project planning, scope is defined early during the planning and estimation phases. Contractor believes the key to successful scope management is defining, communicating and reconciling incoming requests throughout the project lifecycle no matter how small they are.

Change Orders and Change Management is one of the key activities for obtaining commitments from various project stakeholders. Often, requirements that are captured and agreed to undergo changes, even during the small lifetime of a project. Changes can be initiated internally as well as externally. Any intended change to the requirements is logged. The log is progressively evaluated and analyzed for the impact on the project. All changes and the companion Change Log will be managed by the Contractor Project Manager.

Contractor believes the following are important for scope management:
Cost: Scope change can affect work that has been already performed. This means rework costs for work that has already started or has been completed.
Schedule: With each scope change, precious project resources are diverted to activities that were not identified in the original project scope, leading to pressure on the project schedule. The project manager must also consider impact on the project's critical path.
Quality: When not analyzed thoroughly, scope changes lead to quick fixes that can affect product quality.

Some techniques that Contractor will utilize for keeping scope managed are:

Proactive Change Identification: Contractor's entire project team will takes a proactive role in identifying the changes with stakeholders.

Proper Impact Analysis: Scope creep occurs when changes are allowed without proper impact analysis, and without reviewing schedule and cost implications. This is more likely with repetitive minor incremental adjustments, where the project budget and schedule are not kept in sync with the effort involved for the changes. Contractor addresses this it by reviewing the changes against project specifications and Project Plan agreed and signed off with the SOM PM and potentially the customer. Contractor will conduct a preliminary scope change impact analysis. Such impact analysis includes all the configuration items that will be affected by the change and its associated costs.

Communicate Scope Changes: In a large project team, changes can be overlooked if they are not communicated in a timely manner. People like to know what they are working on and to be kept informed of project decisions. Contractor believes that a timely communication is essential to understanding and overcoming resistance to change.

Contractor also considers Scope creep is a symptom of a process problem. One of the solutions in this regard is to implement a process to track each change and control its implementation.

Contractor believes that the success of any application is determined by its acceptance by the user. This requires that user expectations are managed so as to manage the scope within limits of the overall project plan and its objectives. Contractor uses following techniques to interact and communicate with the users to provide them information and to accept feedback:

Use cases – simple descriptions to depict the scope and functionality requirements
Prototype – To present the user feedback in a way that user understands best
Requirements tracing and impact matrix – This is part of Contractor requirement management process where new requirements, changes or additions to requirements are maintained in a spreadsheet format where requirements are traced by function and features running across the application. The relations between functional requirements across the modules are maintained. The requirements are given a weight related to the total function size of the system / module and are evaluated regularly at requirements change. A 'flag' is raised whenever the total size of the system or a module goes above the expected size. In addition, detailed requirements will be continuously analyzed by appropriate Contractor staff to identify 'scope creep' and to notify project PM's.

While deploying these measures, Contractor also understands that managing user expectations also requires some flexibility in adopting their feedback and ideas all of which may not come during initial stages of requirements analysis. It is also possible that some requirements do change due to legislative changes or uniformity initiatives during the development period. Contractor requirement management model allows for adoption of such changes / additions to the requirements as they go a long way in building a flexible and relevant solution and in promoting user acceptability of the final solution. Contractor's requirements model keeps control over the scope limits resulting in a review of requirements priority and adjustment in project plan in case a management decision requires a revision.
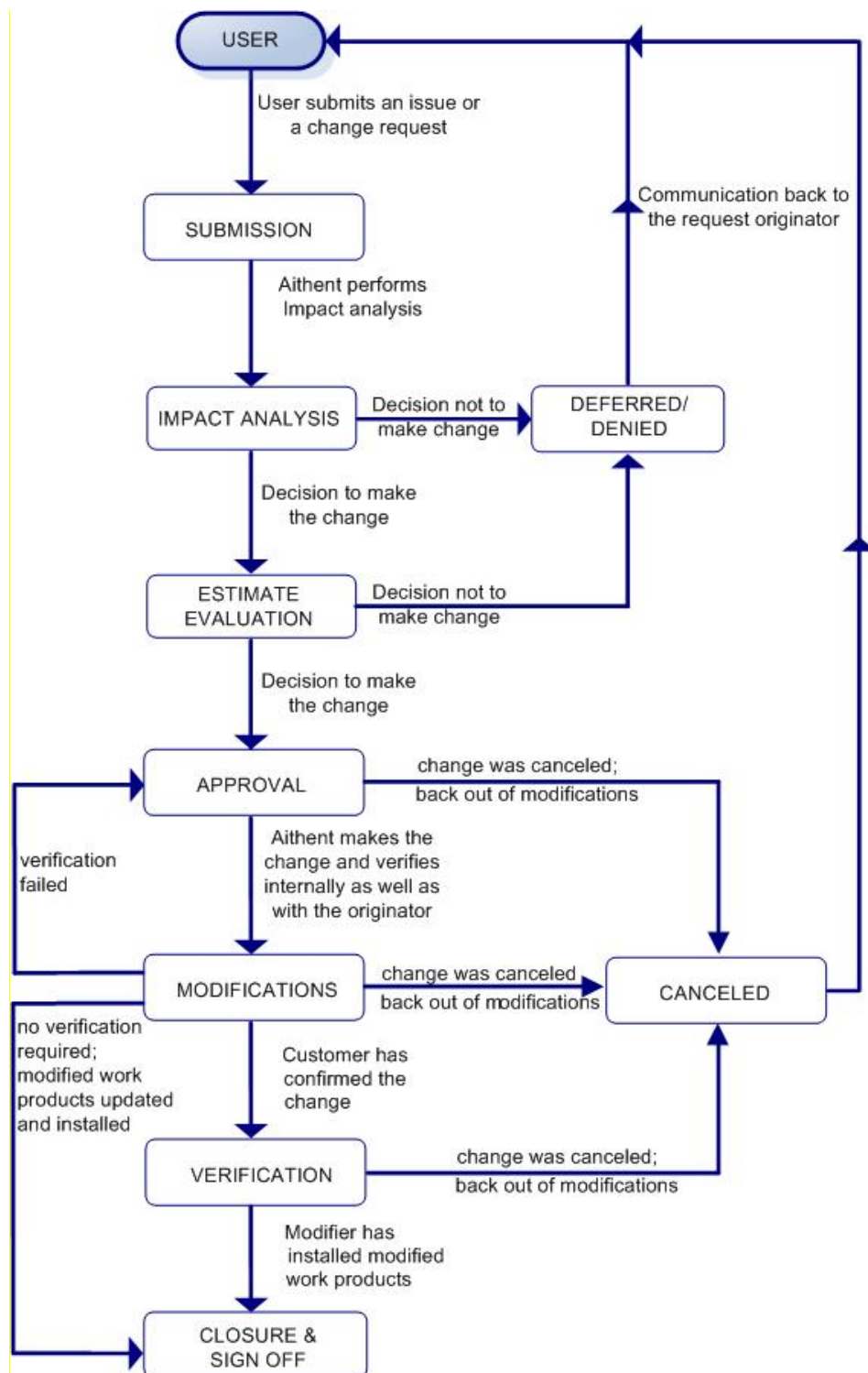
Figure 2: Contractor's Product Change Management Procedure Summary in Flow Diagram

The flow diagram in Figure 2 shows Contractor's typical Product change control process and the steps required to execute change orders and provide estimates. Contractor will evaluate nature of the change, priority of the change, reasons and requirements behind the change, any workaround possibilities and feasibility of making changes for each change request. The decision to move forward to consider the change will depend upon likely impact of the change on the current production system and environments and SOM's usage of the system. The next step will be effort estimate evaluation, and if necessary, a cost estimation will be developed. Once approved, the modifications will be made. During the modification and verification stages

there exists a possibility of change cancellation for various reasons. Once a change is verified and implemented the change request will be formally closed and in case necessary a sign off form the requested will also be taken. Unless the change request is of urgent and critical nature, the version update or releases will take place at the next scheduled update interval.

1.500   Acceptance
1.501 Criteria

The following criteria will be used by the State to determine acceptance of services and/or deliverables provided under this contract. The criteria also cover two aspects of compliance: performance of the Contractor in meeting the requirements in the Contract, and Contract compliance, both financial and non-financial.

A. Document Deliverables - Documents include, but are not limited to plans, design documents, project schedules, user guides, and procedure manuals.
   1. Documents are dated and in electronic format, compatible with State of Michigan software in accordance with Article 1.302.
   2. Requirements documents are reviewed and updated throughout the development process to assure requirements are delivered in the final product.
   3. Draft documents are not accepted as final deliverables.
   4. The documents will be reviewed and accepted in accordance with the requirements of the Contract.
   5. The State will review technical documents within 20 business days of receipt.
      a. Approvals will be written and signed by the State's Project Manager with assistance from other State resources and impacted Agencies.
      b. Unacceptable issues will be documented and submitted to the Contractor.
      c. After issues are resolved or waived, the Contractor will resubmit documents for approval within 20 business days of receipt.

B. Software Deliverables - Software includes, but is not limited to, software product, development tools, support tools, data migration software, interfaces, integration software, and installation software.
   1. Beta software is not accepted as final deliverable.
   2. The software will be reviewed and accepted in accordance with the requirements of the contract.
   3. OFIR Agency Business Owners, and DTMB will review software within a mutually agreed upon timeframe for acceptance of functionality, usability, installation, performance, security, standards compliance, backup/recovery, and operation.
      a. Approvals will be written and signed by OFIR, Agency Business Owners, and DTMB Project Manager.
      b. Unacceptable issues will be documented and submitted to the Contractor.
      c. After issues are resolved or waived, the Contractor will resubmit software for approval within 20 business days of receipt.
   4. Final acceptance of the software will depend on the successful completion of User Acceptance Testing (UAT).
   5. Testing will demonstrate the system's compliance with the requirements of the Contract. At a minimum, the testing will confirm the following:
      a. Functional - the capabilities of the system with respect to the functions and features described in the Contract.
      b. Performance - the ability of the system to perform the workload throughput requirements. All problems should be completed satisfactorily within the allotted time frame.
   6. DTMB will review software license agreements within a mutually agreed upon timeframe.
      a. Approvals will be written and signed by OFIR, Agency Business Owners, and DTMB Project Manager.
      b. Unacceptable issues will be documented and submitted to the Contractor.
      c. After issues are resolved or waived, the Contractor will resubmit the license agreement for approval and final signature by authorized State signatory within 20 business days of receipt

C. <u>Service Deliverables</u> - Services include, but are not limited to training, data migration, help desk, and support.
1. The services will be accepted in accordance with the requirements of the contract.
2. The State will review a Request for Approval of Services within 20 business days of completion or implementation.
   a. Approvals will be written and signed by the State's Project Manager
   b. Unacceptable issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor will resubmit a Request for Approval of Services for approval within 20 business days of receipt.
3. The State will review migrated and converted data within 20 business days of completion.
   a. Approvals will be written and signed by the State's Project Manager
   b. Unacceptable issues will be documented and submitted to the Contractor.
   c. After issues are resolved or waived, the Contractor will resubmit a request for approval within 20 business days of receipt.
4. State staff are properly trained and supplied with the proper tools and documentation to support, upgrade, monitor, operate, and configure the system in accordance with the requirements of this contract.
5. The Contractor has the tools and connectivity installed, in compliance with State standards, to properly support and monitor the system.

1.502 Final Acceptance

Final acceptance is expressly conditioned upon completion of ALL deliverables/milestones, completion of ALL tasks in the project plan as approved, completion of ALL applicable inspection and/or testing procedures, and the certification by the State that the Contractor has met the defined requirements.

1.600   Compensation and Payment

1.601 Compensation and Payment

The project will be paid as a firm, fixed priced, deliverable-based contract. Payment will be made based upon acceptance of a deliverable. Deliverables will be either a physical deliverables (documents) or a service deliverables. Service deliverables will be invoiced on a monthly basis. Physical deliverables will be invoiced upon acceptance of the deliverable. The physical deliverables are those listed in each scope element described in Section 1.104, under Deliverables.

As part of preparing the OFIR IS Price Cost Table (Attachment 6), Contractor must identify all information related, directly or indirectly, to the Contractor's proposed charges for services and deliverables including, but not limited to, costs, fees, prices, rates, bonuses, discounts, rebates, or the identification of free services, labor or materials.

If Contractor reduces its price for any of the software or services during the term of this Contract, the SOM shall have the immediate benefit of such lower prices. Contractor shall send notice to the SOM's DTMB Contract Administrator with the reduced prices within fifteen (15) Business Days of the reduction taking effect.

Contractor agrees all the prices, terms, warranties, and benefits provided in this Contract are comparable to or better than the terms presently being offered by Contractor to any other governmental entity. If, during the term of this Contract, Contractor shall enter into contracts with any other governmental entity providing greater benefits or more favorable terms than those provided by this Contract, Contractor shall be obligated to provide the same to the State of Michigan for subsequent purchases.

Travel

The pricing for the deliverables is all-inclusive. Any expenses the Contractor expects to incur should be built into the price for the deliverable. The SOM will not pay for itemized travel costs. Travel costs are to be estimated as a component of the Contractor pricing and included with the Contractor's bid submitted to the SOM.

Statements of Work and Issuance of Purchase Orders

Unless otherwise agreed by the parties, each Statement of Work will include:
- Background
- Project Objective
- Scope of Work
- Deliverables
- Acceptance Criteria
- Project Control and Reports
- Specific Department Standards
- Payment Schedule
- Travel and Expenses
- Project Contacts
- Agency Responsibilities and Assumptions
- Location of Where the Work is to be Performed
- Expected Contractor Work Hours and Conditions

The parties agree that the Services/Deliverables to be rendered by Contractor pursuant to this Contract (and any future amendments of it) will be defined and described in detail in Statements of Work or Purchase Orders (PO) executed under this Contract. Contractor shall not be obliged or authorized to commence any work to implement a Statement of Work until authorized via a PO issued against this Contract. Contractor shall perform in accordance with this Contract, including the Statements of Work/Purchase Orders executed under it.

Invoicing and Payment

Contractor will submit properly itemized invoices to "Bill to" address on the Purchase Order. Incorrect or incomplete invoices will be returned to Contractor for correction and reissue. **Invoices must provide and itemize, as applicable:**
1. Contract number
2. Purchase Order number
3. Contractor name, address, phone number, and Federal Tax Identification Number
4. Description of any commodities/equipment, including quantity ordered
5. Date(s) of delivery and/or date(s) of installation and set up
6. Price for each item, or Contractor's list price for each item and applicable discounts
7. Maintenance charges
8. Net invoice price for each item
9. Shipping costs
10. Other applicable charges
11. Total invoice price
12. Payment terms, including any available prompt payment discounts

The State may pay maintenance and support charges on a monthly basis, in arrears. Payment of maintenance service/support of less than one (1) month's duration shall be prorated at 1/30th of the basic monthly maintenance charges for each calendar day.

1.602 Holdback

The State shall have the right to hold back an amount equal to Ten percent (10%) of all amounts invoiced by Contractor for Services/Deliverables. The amounts held back shall be released to Contractor after the State has granted Final Acceptance.

1.700   Additional Information Specific to this SOW

1.701   Additional Terms and Conditions Specific to This SOW

B. Conflict with General Terms and Conditions of Article 2
In the event that any of the requirements and terms of this SOW conflict with general terms and conditions stated in Article 2 of the Contract, the requirements and terms of this SOW shall govern with respect to this SOW only.

C. Reservation of Selection of IT Product Standards
DTMB reserves the right to consider all products proposed by the Contractor and accepted by the SOM as part of contracted solution as a potential SOM IT Product Standard and may at its discretion ratify said products as IT Standards for the SOM.

Article 2 - Terms and Conditions

2.000 Contract Structure and Term

2.001 Contract Term

This Contract is for a period of 5 years beginning October 1, 2010 through September 30, 2015. All outstanding Purchase Orders must also expire upon the termination (cancellation for any of the reasons listed in **Section 2.150**) of the Contract, unless otherwise extended under the Contract. Absent an early termination for any reason, Purchase Orders issued but not expired, by the end of the Contract's stated term, will remain in effect for the balance of the fiscal year for which they were issued.

2.002 Options to Renew

This Contract may be renewed in writing by mutual agreement of the parties not less than 30 days before its expiration. The Contract may be renewed for up to 5 additional 1 year periods.

2.003 Legal Effect

Contractor shall show acceptance of this Contract by signing two copies of the Contract and returning them to the Contract Administrator. The Contractor shall not proceed with the performance of the work to be done under the Contract, including the purchase of necessary materials, until both parties have signed the Contract to show acceptance of its terms, and the Contractor receives a Contract release/purchase order that authorizes and defines specific performance requirements.

Except as otherwise agreed in writing by the parties, the State assumes no liability for costs incurred by Contractor or payment under this Contract, until Contractor is notified in writing that this Contract (or Change Order) has been approved by the State Administrative Board (if required), approved and signed by all the parties, and a Purchase Order against the Contract has been issued.

2.004 Attachments & Exhibits

All Attachments and Exhibits affixed to any and all Statement(s) of Work, or appended to or referencing this Contract, are incorporated in their entirety and form part of this Contract.

2.005 Ordering

The State will issue a written Purchase Order, Blanket Purchase Order, Direct Voucher or Procurement Card Order, which must be approved by the Contract Administrator or the Contract Administrator's designee, to order any Services/Deliverables under this Contract. All orders are subject to the terms and conditions of this Contract. No additional terms and conditions contained on either a Purchase Order or Blanket Purchase Order apply unless they are also specifically contained in that Purchase Order or Blanket Purchase Order's accompanying Statement of Work. Exact quantities to be purchased are unknown, however, the Contractor will be required to furnish all such materials and services as may be ordered during the CONTRACT period. Quantities specified, if any, are estimates based on prior purchases, and the State is not obligated to purchase in these or any other quantities.

2.006 Order of Precedence

The Contract, including any Statements of Work and Exhibits, to the extent not contrary to the Contract, each of which is incorporated for all purposes, constitutes the entire agreement between the parties with respect to the subject matter and supersedes all prior agreements, whether written or oral, with respect to the subject matter and as additional terms and conditions on the purchase order must apply as limited by **Section 2.005.**

In the event of any inconsistency between the terms of the Contract and a Statement of Work, the terms of the Statement of Work will take precedence (as to that Statement of Work only); provided, however, that a Statement of Work may not modify or amend the terms of the Contract, which may be modified or amended only by a formal Contract amendment.

2.007 Headings

Captions and headings used in the Contract are for information and organization purposes. Captions and headings, including inaccurate references, do not, in any way, define or limit the requirements or terms and conditions of the Contract.

2.008 Form, Function & Utility

If the Contract is for use of more than one State agency and if the Deliverable/Service does not the meet the form, function, and utility required by that State agency, that agency may, subject to State purchasing policies, procure the Deliverable/Service from another source.

2.009 Reformation and Severability

Each provision of the Contract is severable from all other provisions of the Contract and, if one or more of the provisions of the Contract is declared invalid, the remaining provisions of the Contract remain in full force and effect.

2.010   Consents and Approvals

Except as expressly provided otherwise in the Contract, if either party requires the consent or approval of the other party for the taking of any action under the Contract, the consent or approval must be in writing and must not be unreasonably withheld or delayed.

2.011 No Waiver of Default

If a party fails to insist upon strict adherence to any term of the Contract then the party has not waived the right to later insist upon strict adherence to that term, or any other term, of the Contract.

2.012 Survival

Any provisions of the Contract that impose continuing obligations on the parties, including without limitation the parties' respective warranty, indemnity and confidentiality obligations, survive the expiration or termination of the Contract for any reason. Specific references to survival in the Contract are solely for identification purposes and not meant to limit or prevent the survival of any other section

2.020   Contract Administration

2.021 Issuing Office

This Contract is issued by the Department of Management and Budget, Purchasing Operations and Office of Financial and Insurance Regulation (OFIR), as part of the Department of Energy, Labor, and Economic Growth (DELEG), , and supported by the Michigan Department of Information Technology (DTMB) (collectively, including all other relevant State of Michigan departments and agencies, the "State"). Purchasing Operations is the sole point of contact in the State with regard to all procurement and contractual matters relating to the Contract. The Purchasing Operations Contract Administrator for this Contract is:

> Dale Reif
> Purchasing Operations
> Department of Management and Budget
> Mason Bldg, 2nd Floor
> PO Box 30026
> Lansing, MI 48909
> Email Reifd@michigan.gov
> Phone 517/ 373-3993

2.022 Contract Compliance Inspector

The Director of Purchasing Operations directs the person named below, or his or her designee, to monitor and coordinate the activities for the Contract on a day-to-day basis during its term.
Monitoring Contract activities does not imply the authority to change, modify, clarify, amend,

or otherwise alter the prices, terms, conditions and specifications of the Contract. Purchasing Operations is the only State office authorized to change, modify, amend, alter or clarify the prices, specifications, terms and conditions of this Contract. The Contract Compliance Inspector for this Contract is:

Name	Agency/Division	Title
Sara Williams	DTMB	Contract Administrator

2.023 Project Manager
The following individual will oversee the project:

Name	Agency/Division	Title
Vaughn Bennett	DIT/PMRC	Senior Project Manager

2.024 Change Requests
The State reserves the right to request from time to time any changes to the requirements and specifications of the Contract and the work to be performed by the Contractor under the Contract. During the course of ordinary business, it may become necessary for the State to discontinue certain business practices or create Additional Services/Deliverables. At a minimum, to the extent applicable, the State would like the Contractor to provide a detailed outline of all work to be done, including tasks necessary to accomplish the Services/Deliverables, timeframes, listing of key personnel assigned, estimated hours for each individual per task, and a complete and detailed cost justification.

If the State requests or directs the Contractor to perform any Services/Deliverables that are outside the scope of the Contractor's responsibilities under the Contract ("New Work"), the Contractor must notify the State promptly, and before commencing performance of the requested activities, that it believes the requested activities are New Work. If the Contractor fails to notify the State before commencing performance of the requested activities, any such activities performed before the Contractor gives notice shall be conclusively considered to be in-scope Services/Deliverables, not New Work.

If the State requests or directs the Contractor to perform any services or provide deliverables that are consistent with and similar to the Services/Deliverables being provided by the Contractor under the Contract, but which the Contractor reasonably and in good faith believes are not included within the Statements of Work, then before performing such services or providing such deliverables, the Contractor shall notify the State in writing that it considers the services or deliverables to be an Additional Service/Deliverable for which the Contractor should receive additional compensation. If the Contractor does not so notify the State, the Contractor shall have no right to claim thereafter that it is entitled to additional compensation for performing that service or providing that deliverable. If the Contractor does so notify the State, then such a service or deliverable shall be governed by the Change Request procedure in this Section.

In the event prices or service levels are not acceptable to the State, the Additional Services or New Work shall be subject to competitive bidding based upon the specifications.

(1) Change Request at State Request
    If the State should require Contractor to perform New Work, Additional Services or make changes to the Services that would affect the Contract completion schedule or the amount of compensation due Contractor (a "Change"), the State shall submit a written request for Contractor to furnish a proposal for carrying out the requested Change (a "Change Request").
(2) Contractor Recommendation for Change Requests:

Contractor shall be entitled to propose a Change to the State, on its own initiative, should it be of the opinion that this would benefit the Contract.

(3) Upon receipt of a Change Request or on its own initiative, Contractor shall examine the implications of the requested Change on the technical specifications, Contract schedule and price of the Deliverables and Services and shall submit to the State without undue delay a written proposal for carrying out the Change. Contractor's proposal will include any associated changes in the technical specifications, Contract schedule and price and method of pricing of the Services. If the Change is to be performed on a time and materials basis, the Amendment Labor Rates shall apply to the provision of such Services. If Contractor provides a written proposal and should Contractor be of the opinion that a requested Change is not to be recommended, it shall communicate its opinion to the State but shall nevertheless carry out the Change as specified in the written proposal if the State directs it to do so.

(4) By giving Contractor written notice within a reasonable time, the State must be entitled to accept a Contractor proposal for Change, to reject it, or to reach another agreement with Contractor. Should the parties agree on carrying out a Change, a written Contract Change Notice must be prepared and issued under this Contract, describing the Change and its effects on the Services and any affected components of this Contract (a "Contract Change Notice").

(5) No proposed Change must be performed until the proposed Change has been specified in a duly executed Contract Change Notice issued by the Department of Management and Budget, Purchasing Operations.

(6) If the State requests or directs the Contractor to perform any activities that Contractor believes constitute a Change, the Contractor must notify the State that it believes the requested activities are a Change before beginning to work on the requested activities. If the Contractor fails to notify the State before beginning to work on the requested activities, then the Contractor waives any right to assert any claim for additional compensation or time for performing the requested activities. If the Contractor commences performing work outside the scope of this Contract and then ceases performing that work, the Contractor must, at the request of the State, retract any out-of-scope work that would adversely affect the Contract.

2.025 Notices

Any notice given to a party under the Contract must be deemed effective, if addressed to the party as addressed below, upon: (i) delivery, if hand delivered; (ii) receipt of a confirmed transmission by facsimile if a copy of the notice is sent by another means specified in this Section; (iii) the third Business Day after being sent by U.S. mail, postage pre-paid, return receipt requested; or (iv) the next Business Day after being sent by a nationally recognized overnight express courier with a reliable tracking system.

State:

> State of Michigan
> Purchasing Operations
> Attention: Dale Reif
> PO Box 30026
> 530 West Allegan
> Lansing, Michigan 48909

Contractor: **TBD**
Name:
Address:

Either party may change its address where notices are to be sent by giving notice according to this Section.

2.026 Binding Commitments

Representatives of Contractor must have the authority to make binding commitments on Contractor's behalf within the bounds set forth in the Contract. Contractor may change the representatives from time to time upon written notice.

2.027 Relationship of the Parties

The relationship between the State and Contractor is that of client and independent contractor. No agent, employee, or servant of Contractor or any of its Subcontractors must be or must be deemed to be an employee, agent or servant of the State for any reason. Contractor will be solely and entirely responsible for its acts and the acts of its agents, employees, servants and Subcontractors during the performance of the Contract.

2.028 Covenant of Good Faith

Each party must act reasonably and in good faith. Unless stated otherwise in the Contract, the parties will not unreasonably delay, condition or withhold the giving of any consent, decision or approval that is either requested or reasonably required of them in order for the other party to perform its responsibilities under the Contract.

2.029 Assignments

Neither party may assign the Contract, or assign or delegate any of its duties or obligations under the Contract, to any other party (whether by operation of law or otherwise), without the prior written consent of the other party; provided, however, that the State may assign the Contract to any other State agency, department, division or department without the prior consent of Contractor and Contractor may assign the Contract to an affiliate so long as the affiliate is adequately capitalized and can provide adequate assurances that the affiliate can perform the Contract. The State may withhold consent from proposed assignments, subcontracts, or novations when the transfer of responsibility would operate to decrease the State's likelihood of receiving performance on the Contract or the State's ability to recover damages.

Contractor may not, without the prior written approval of the State, assign its right to receive payments due under the Contract. If the State permits an assignment, the Contractor is not relieved of its responsibility to perform any of its contractual duties, and the requirement under the Contract that all payments must be made to one entity continues.

If the Contractor intends to assign the Contract or any of the Contractor's rights or duties under the Contract, the Contractor must notify the State in writing at least 90 days before the assignment. The Contractor also must provide the State with adequate information about the assignee within a reasonable amount of time before the assignment for the State to determine whether to approve the assignment.

2.030   General Provisions

2.031 Media Releases

News releases (including promotional literature and commercial advertisements) pertaining to the Contract or project to which it relates shall not be made without prior written State approval, and then only in accordance with the explicit written instructions from the State. No results of the activities associated with the Contract are to be released without prior written approval of the State and then only to persons designated.

2.032 Contract Distribution

Purchasing Operations retains the sole right of Contract distribution to all State agencies and local units of government unless other arrangements are authorized by Purchasing Operations.

2.033 Permits

Contractor must obtain and pay any associated costs for all required governmental permits, licenses and approvals for the delivery, installation and performance of the Services. The State must pay for all costs and expenses incurred in obtaining and maintaining any necessary easements or right of way.

2.034 Website Incorporation

The State is not bound by any content on the Contractor's website, even if the Contractor's documentation specifically referenced that content and attempts to incorporate it into any other communication, unless the State has actual knowledge of the content and has expressly agreed to be bound by it in a writing that has been manually signed by an authorized representative of the State.

2.035 Future Bidding Preclusion

Contractor acknowledges that, to the extent this Contract involves the creation, research, investigation or generation of a future RFP; it may be precluded from bidding on the subsequent RFP. The State reserves the right to disqualify any bidder if the State determines that the bidder has used its position (whether as an incumbent Contractor, or as a Contractor hired to assist with the RFP development, or as a Vendor offering free assistance) to gain a competitive advantage on the RFP

2.036 Freedom of Information

All information in any proposal submitted to the State by Contractor and this Contract is subject to the provisions of the Michigan Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, et seq (the "FOIA").

2.037 Disaster Recovery

Contractor and the State recognize that the State provides essential services in times of natural or man-made disasters. Therefore, except as so mandated by Federal disaster response requirements, Contractor personnel dedicated to providing Services/Deliverables under this Contract will provide the State with priority service for repair and work around in the event of a natural or man-made disaster.

2.040 Financial Provisions

2.041 Fixed Prices for Services/Deliverables

Each Statement of Work or Purchase Order issued under this Contract shall specify (or indicate by reference to the appropriate Contract Exhibit) the firm, fixed prices for all Services/Deliverables, and the associated payment milestones and payment amounts. The State may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

2.042 Adjustments for Reductions in Scope of Services/Deliverables

If the scope of the Services/Deliverables under any Statement of Work issued under this Contract is subsequently reduced by the State, the parties shall negotiate an equitable reduction in Contractor's charges under such Statement of Work commensurate with the reduction in scope.

2.043 Services/Deliverables Covered

For all Services/Deliverables to be provided by Contractor (and its Subcontractors, if any) under this Contract, the State shall not be obligated to pay any amounts in addition to the charges specified in this Contract.

2.044 Invoicing and Payment – In General

(a) Each Statement of Work issued under this Contract shall list (or indicate by reference to the appropriate Contract Exhibit) the prices for all Services/Deliverables, equipment and commodities to be provided, and the associated payment milestones and payment amounts.

(b) Each Contractor invoice will show details as to charges by Service/Deliverable component and location at a level of detail reasonably necessary to satisfy the State's accounting and charge-back requirements. Invoices for Services performed on a time and materials basis will show, for each individual, the number of hours of Services performed during the billing period, the billable skill/labor category for such person and the applicable hourly billing rate. Prompt payment by the State is contingent on the Contractor's invoices showing the amount owed by the State minus any holdback amount to be retained by the State in accordance with **Section 1.064**.

(c) Correct invoices will be due and payable by the State, in accordance with the State's standard payment procedure as specified in 1984 Public Act No. 279, MCL 17.51 et seq., within 45 days after receipt, provided the State determines that the invoice was properly rendered.

(d1) All invoices should reflect actual work done. Specific details of invoices and payments will be agreed upon between the Contract Administrator and the Contractor after the proposed Contract Agreement has been signed and accepted by both the Contractor and the Director of Purchasing Operations, Department of Management & Budget. This activity will occur only upon the specific written direction from Purchasing Operations.

The specific payment schedule for any Contract(s) entered into, as the State and the Contractor(s) will mutually agree upon. The schedule should show payment amount and should reflect actual work done by the payment dates, less any penalty cost charges accrued by those dates. As a general policy statements shall be forwarded to the designated representative by the 15th day of the following month.

The Government may make progress payments to the Contractor when requested as work progresses, but not more frequently than monthly, in amounts approved by the Contract Administrator, after negotiation. Contractor must show verification of measurable progress at the time of requesting progress payments.

2.045 Pro-ration

To the extent there are any Services that are to be paid for on a monthly basis, the cost of such Services shall be pro-rated for any partial month.

2.046 Antitrust Assignment

The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor, toward fulfillment of this Contract.

2.047 Final Payment

The making of final payment by the State to Contractor does not constitute a waiver by either party of any rights or other claims as to the other party's continuing obligations under the Contract, nor will it constitute a waiver of any claims by one party against the other arising from unsettled claims or failure by a party to comply with this Contract, including claims for Services and Deliverables not reasonably known until after acceptance to be defective or substandard. Contractor's acceptance of final payment by the State under this Contract shall constitute a waiver of all claims by Contractor against the State for payment under this Contract, other than those claims previously filed in writing on a timely basis and still unsettled.

2.048 Electronic Payment Requirement

Electronic transfer of funds is required for payments on State Contracts. Contractors are required to register with the State electronically at http://www.cpexpress.state.mi.us. As stated in Public Act 431 of 1984, all contracts that the State enters into for the purchase of goods and services shall provide that payment will be made by electronic fund transfer (EFT).

2.050   Taxes

2.051 Employment Taxes

Contractors are expected to collect and pay all applicable federal, state, and local employment taxes, including the taxes.

2.052 Sales and Use Taxes

Contractors are required to be registered and to remit sales and use taxes on taxable sales of tangible personal property or services delivered into the State. Contractors that lack sufficient presence in Michigan to be required to register and pay tax must do so as a volunteer. This requirement extends to: (1) all members of any controlled group as defined in § 1563(a) of the Internal Revenue Code and applicable regulations of which the company is a member, and (2) all organizations under common control as defined in § 414(c) of the Internal Revenue Code and applicable regulations of which the

company is a member that make sales at retail for delivery into the State are registered with the State for the collection and remittance of sales and use taxes. In applying treasury regulations defining "two or more trades or businesses under common control" the term "organization" means sole proprietorship, a partnership (as defined in § 701(a) (2) of the Internal Revenue Code), a trust, an estate, a corporation, or a limited liability company.

2.060   Contract Management

2.061 Contractor Personnel Qualifications

All persons assigned by Contractor to the performance of Services under this Contract must be employees of Contractor or its majority-owned (directly or indirectly, at any tier) subsidiaries (or a State-approved Subcontractor) and must be fully qualified to perform the work assigned to them. Contractor must include a similar provision in any subcontract entered into with a Subcontractor. For the purposes of this Contract, independent contractors engaged by Contractor solely in a staff augmentation role must be treated by the State as if they were employees of Contractor for this Contract only; however, the State understands that the relationship between Contractor and Subcontractor is an independent contractor relationship.

2.062 Contractor Key Personnel

(a) The Contractor must provide the Contract Compliance Inspector with the names of the Key Personnel.
(b) Key Personnel must be dedicated as defined in the Statement of Work to the Project for its duration in the applicable Statement of Work with respect to other individuals designated as Key Personnel for that Statement of Work.
(c) The State will have the right to recommend and approve in writing the initial assignment, as well as any proposed reassignment or replacement, of any Key Personnel. Before assigning an individual to any Key Personnel position, Contractor will notify the State of the proposed assignment, will introduce the individual to the appropriate State representatives, and will provide the State with a resume and any other information about the individual reasonably requested by the State. The State reserves the right to interview the individual before granting written approval. In the event the State finds a proposed individual unacceptable, the State will provide a written explanation including reasonable detail outlining the reasons for the rejection.
(d) Contractor must not remove any Key Personnel from their assigned roles on the Contract without the prior written consent of the State. The Contractor's removal of Key Personnel without the prior written consent of the State is an unauthorized removal ("Unauthorized Removal"). Unauthorized Removals does not include replacing Key Personnel for reasons beyond the reasonable control of Contractor, including illness, disability, leave of absence, personal emergency circumstances, resignation or for cause termination of the Key Personnel's employment. Unauthorized Removals does not include replacing Key Personnel because of promotions or other job movements allowed by Contractor personnel policies or Collective Bargaining Agreement(s) as long as the State receives prior written notice before shadowing occurs and Contractor provides 30 days of shadowing unless parties agree to a different time period. The Contractor with the State must review any Key Personnel replacements, and appropriate transition planning will be established. Any Unauthorized Removal may be considered by the State to be a material breach of the Contract, in respect of which the State may elect to exercise its termination and cancellation rights.
(e) The Contractor must notify the Contract Compliance Inspector and the Contract Administrator at least 10 business days before redeploying non-Key Personnel, who are dedicated to primarily to the Project, to other projects. If the State does not object to the redeployment by its scheduled date, the Contractor may then redeploy the non-Key Personnel.

2.063 Re-assignment of Personnel at the State's Request

The State reserves the right to require the removal from the Project of Contractor personnel found, in the judgment of the State, to be unacceptable. The State's request must be written with reasonable

detail outlining the reasons for the removal request. Additionally, the State's request must be based on legitimate, good faith reasons. Replacement personnel for the removed person must be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed personnel, the State agrees to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any incident with removed personnel results in delay not reasonably anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Service will not be counted for a time as agreed to by the parties.

2.064 Contractor Personnel Location

All staff assigned by Contractor to work on the Contract will perform their duties either primarily at Contractor's offices and facilities or at State facilities. Without limiting the generality of the foregoing, Key Personnel will, at a minimum, spend at least the amount of time on-site at State facilities as indicated in the applicable Statement of Work. Subject to availability, selected Contractor personnel may be assigned office space to be shared with State personnel.

2.065 Contractor Identification

Contractor employees must be clearly identifiable while on State property by wearing a State-issued badge, as required. Contractor employees are required to clearly identify themselves and the company they work for whenever making contact with State personnel by telephone or other means.

2.066 Cooperation with Third Parties

Contractor agrees to cause its personnel and the personnel of any Subcontractors to cooperate with the State and its agents and other contractors including the State's Quality Assurance personnel. As reasonably requested by the State in writing, the Contractor will provide to the State's agents and other contractors reasonable access to Contractor's Project personnel, systems and facilities to the extent the access relates to activities specifically associated with this Contract and will not interfere or jeopardize the safety or operation of the systems or facilities. The State acknowledges that Contractor's time schedule for the Contract is very specific and agrees not to unnecessarily or unreasonably interfere with, delay or otherwise impeded Contractor's performance under this Contract with the requests for access.

2.067 Contract Management Responsibilities

Contractor shall be responsible for all acts and omissions of its employees, as well as the acts and omissions of any other personnel furnished by Contractor to perform the Services. Contractor shall have overall responsibility for managing and successfully performing and completing the Services/Deliverables, subject to the overall direction and supervision of the State and with the participation and support of the State as specified in this Contract. Contractor's duties will include monitoring and reporting the State's performance of its participation and support responsibilities (as well as Contractor's own responsibilities) and providing timely notice to the State in Contractor's reasonable opinion if the State's failure to perform its responsibilities in accordance with the Project Plan is likely to delay the timely achievement of any Contract tasks.

The Contractor will provide the Services/Deliverables directly or through its affiliates, subsidiaries, subcontractors or resellers. Regardless of the entity providing the Service/Deliverable, the Contractor will act as a single point of contact coordinating these entities to meet the State's need for Services/Deliverables. Nothing in this Contract, however, shall be construed to authorize or require any party to violate any applicable law or regulation in its performance of this Contract.

2.068 Contractor Return of State Equipment/Resources

The Contractor must return to the State any State-furnished equipment, facilities and other resources when no longer required for the Contract in the same condition as when provided by the State, reasonable wear and tear excepted.

2.070   Subcontracting by Contractor

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2.071 Contractor full Responsibility

Contractor shall have full responsibility for the successful performance and completion of all of the Services and Deliverables. The State will consider Contractor to be the sole point of contact with regard to all contractual matters under this Contract, including payment of any and all charges for Services and Deliverables.

2.072 State Consent to delegation

Contractor shall not delegate any duties under this Contract to a Subcontractor unless the Department of Management and Budget, Purchasing Operations has given written consent to such delegation. The State shall have the right of prior written approval of all Subcontractors and to require Contractor to replace any Subcontractors found, in the reasonable judgment of the State, to be unacceptable. The State's request shall be written with reasonable detail outlining the reasons for the removal request. Additionally, the State's request shall be based on legitimate, good faith reasons. Replacement Subcontractor(s) for the removed Subcontractor shall be fully qualified for the position. If the State exercises this right, and the Contractor cannot immediately replace the removed Subcontractor, the State will agree to an equitable adjustment in schedule or other terms that may be affected by the State's required removal. If any such incident with a removed Subcontractor results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLA for the affected Work will not be counted for a time agreed upon by the parties.

2.073 Subcontractor bound to Contract

In any subcontracts entered into by Contractor for the performance of the Services, Contractor shall require the Subcontractor, to the extent of the Services to be performed by the Subcontractor, to be bound to Contractor by the terms of this Contract and to assume toward Contractor all of the obligations and responsibilities that Contractor, by this Contract, assumes toward the State. The State reserves the right to receive copies of and review all subcontracts, although Contractor may delete or mask any proprietary information, including pricing, contained in such contracts before providing them to the State. The management of any Subcontractor will be the responsibility of Contractor, and Contractor shall remain responsible for the performance of its Subcontractors to the same extent as if Contractor had not subcontracted such performance. Contractor shall make all payments to Subcontractors or suppliers of Contractor. Except as otherwise agreed in writing by the State and Contractor, the State will not be obligated to direct payments for the Services other than to Contractor. The State's written approval of any Subcontractor engaged by Contractor to perform any obligation under this Contract shall not relieve Contractor of any obligations or performance required under this Contract. A list of the Subcontractors, if any, approved by the State as of the execution of this Contract, together with a copy of the applicable subcontract is attached.

2.074 Flow Down

Except where specifically approved in writing by the State on a case-by-case basis, Contractor shall flow down the obligations in **Sections 2.031, 2.060, 2.100, 2.110, 2.120, 2.130, and 2.200** in all of its agreements with any Subcontractors.

2.075 Competitive Selection

The Contractor shall select subcontractors (including suppliers) on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the Contract.

2.080 State Responsibilities

2.081 Equipment

The State will provide only the equipment and resources identified in the Statements of Work and other Contract Exhibits.

2.082 Facilities

The State must designate space as long as it is available and as provided in the Statement of Work, to house the Contractor's personnel whom the parties agree will perform the Services/Deliverables at

State facilities (collectively, the "State Facilities"). The Contractor must have reasonable access to, and unless agreed otherwise by the parties in writing must observe and comply with all rules and regulations relating to each of the State Facilities (including hours of operation) used by the Contractor in the course of providing the Services. Contractor agrees that it will not, without the prior written consent of the State, use any State Facilities or access any State information systems provided for the Contractor's use, or to which the Contractor otherwise gains access in the course of performing the Services, for any purpose other than providing the Services to the State.

2.090   Security

2.091 Background Checks

On a case-by-case basis, the State may investigate the Contractor's personnel before they may have access to State facilities and systems. The scope of the background check is at the discretion of the State and the results will be used to determine Contractor personnel eligibility for working within State facilities and systems. The investigations will include Michigan State Police Background checks (ICHAT) and may include the National Crime Information Center (NCIC) Finger Prints. Proposed Contractor personnel may be required to complete and submit an RI-8 Fingerprint Card for the NCIC Finger Print Check. Any request for background checks will be initiated by the State and will be reasonably related to the type of work requested.

All Contractor personnel will also be expected to comply with the State's security and acceptable use policies for State IT equipment and resources. See http://www.michigan.gov/dit. Furthermore, Contractor personnel will be expected to agree to the State's security and acceptable use policies before the Contractor personnel will be accepted as a resource to perform work for the State. It is expected the Contractor will present these documents to the prospective employee before the Contractor presents the individual to the State as a proposed resource. Contractor staff will be expected to comply with all Physical Security procedures in place within the facilities where they are working.

2.092 Security Breach Notification

If the Contractor breaches this Section, the Contractor must (i) promptly cure any deficiencies and (ii) comply with any applicable federal and state laws and regulations pertaining to unauthorized disclosures. Contractor and the State will cooperate to mitigate, to the extent practicable, the effects of any breach, intrusion, or unauthorized use or disclosure. Contractor must report to the State in writing any use or disclosure of Confidential Information, whether suspected or actual, other than as provided for by the Contract within 10 days of becoming aware of the use or disclosure or the shorter time period as is reasonable under the circumstances.

2.093 PCI DATA Security Requirements

Contractors with access to credit/debit card cardholder data must adhere to the Payment Card Industry (PCI) Data Security requirements. Contractor agrees that they are responsible for security of cardholder data in their possession. Contractor agrees that data can ONLY be used for assisting the State in completing a transaction, supporting a loyalty program, supporting the State, providing fraud control services, or for other uses specifically required by law.

Contractor agrees to provide business continuity in the event of a major disruption, disaster or failure.

The Contractor will contact the Department of Management and Budget, Financial Services immediately to advise them of any breaches in security where card data has been compromised. In the event of a security intrusion, the Contractor agrees the Payment Card Industry representative, or a Payment Card Industry approved third party, will be provided with full cooperation and access to conduct a thorough security review. The review will validate compliance with the Payment Card Industry Data Security Standard for protecting cardholder data.

Contractor agrees to properly dispose sensitive cardholder data when no longer needed. The Contractor will continue to treat cardholder data as confidential upon Contract termination.

The Contractor will provide the Department of Management and Budget, Financial Services documentation showing PCI Data Security certification has been achieved. The Contractor will advise the Department of Management and Budget, Financial Services of all failures to comply with the PCI Data Security Requirements. Failures include, but are not limited to system scans and self-assessment questionnaires. The Contractor will provide a time line for corrective action.

2.100   Confidentiality

2.101 Confidentiality

Contractor and the State each acknowledge that the other possesses and will continue to possess confidential information that has been developed or received by it. As used in this Section, "Confidential Information" of Contractor must mean all non-public proprietary information of Contractor (other than Confidential Information of the State as defined below), which is marked confidential, restricted, proprietary, or with a similar designation. "Confidential Information" of the State must mean any information which is retained in confidence by the State (or otherwise required to be held in confidence by the State under applicable federal, state and local laws and regulations) or which, in the case of tangible materials provided to Contractor by the State under its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the State. "Confidential Information" excludes any information (including this Contract) that is publicly available under the Michigan FOIA.

2.102 Protection and Destruction of Confidential Information

The State and Contractor will each use at least the same degree of care to prevent disclosing to third parties the Confidential Information of the other as it employs to avoid unauthorized disclosure, publication or dissemination of its own confidential information of like character, but in no event less than reasonable care. Neither Contractor nor the State will (i) make any use of the Confidential Information of the other except as contemplated by this Contract, (ii) acquire any right in or assert any lien against the Confidential Information of the other, or (iii) if requested to do so, refuse for any reason to promptly return the other party's Confidential Information to the other party. Each party will limit disclosure of the other party's Confidential Information to employees and Subcontractors who must have access to fulfill the purposes of this Contract. Disclosure to, and use by, a Subcontractor is permissible where (A) use of a Subcontractor is authorized under this Contract, (B) the disclosure is necessary or otherwise naturally occurs in connection with work that is within the Subcontractor's scope of responsibility, and (C) Contractor obligates the Subcontractor in a written Contract to maintain the State's Confidential Information in confidence. At the State's request, any employee of Contractor and of any Subcontractor having access or continued access to the State's Confidential Information may be required to execute an acknowledgment that the employee has been advised of Contractor's and the Subcontractor's obligations under this Section and of the employee's obligation to Contractor or Subcontractor, as the case may be, to protect the Confidential Information from unauthorized use or disclosure.

Promptly upon termination or cancellation of the Contract for any reason, Contractor must certify to the State that Contractor has destroyed all State Confidential Information.

2.103 Exclusions

Notwithstanding the foregoing, the provisions in this Section will not apply to any particular information which the State or Contractor can demonstrate (i) was, at the time of disclosure to it, in the public domain; (ii) after disclosure to it, is published or otherwise becomes part of the public domain through no fault of the receiving party; (iii) was in the possession of the receiving party at the time of disclosure to it without an obligation of confidentiality; (iv) was received after disclosure to it from a third party who had a lawful right to disclose the information to it without any obligation to restrict its

further disclosure; or (v) was independently developed by the receiving party without reference to Confidential Information of the furnishing party. Further, the provisions of this Section will not apply to any particular Confidential Information to the extent the receiving party is required by law to disclose the Confidential Information, provided that the receiving party (i) promptly provides the furnishing party with notice of the legal request, and (ii) assists the furnishing party in resisting or limiting the scope of the disclosure as reasonably requested by the furnishing party.

2.104 No Implied Rights

Nothing contained in this Section must be construed as obligating a party to disclose any particular Confidential Information to the other party, or as granting to or conferring on a party, expressly or impliedly, any right or license to the Confidential Information of the other party.

2.105 Respective Obligations

The parties' respective obligations under this Section must survive the termination or expiration of this Contract for any reason.

2.110 Records and Inspections

2.111 Inspection of Work Performed

The State's authorized representatives must at all reasonable times and with 10 days prior written request, have the right to enter Contractor's premises, or any other places, where the Services are being performed, and must have access, upon reasonable request, to interim drafts of Deliverables or work-in-progress. Upon 10 Days prior written notice and at all reasonable times, the State's representatives must be allowed to inspect, monitor, or otherwise evaluate the work being performed and to the extent that the access will not reasonably interfere or jeopardize the safety or operation of the systems or facilities. Contractor must provide all reasonable facilities and assistance for the State's representatives.

2.112 Examination of Records

For seven years after the Contractor provides any work under this Contract (the "Audit Period"), the State may examine and copy any of Contractor's books, records, documents and papers pertinent to establishing Contractor's compliance with the Contract and with applicable laws and rules. The State must notify the Contractor 20 days before examining the Contractor's books and records. The State does not have the right to review any information deemed confidential by the Contractor to the extent access would require the confidential information to become publicly available. This provision also applies to the books, records, accounts, documents and papers, in print or electronic form, of any parent, affiliated or subsidiary organization of Contractor, or any Subcontractor of Contractor performing services in connection with the Contract.

2.113 Retention of Records

Contractor must maintain at least until the end of the Audit Period all pertinent financial and accounting records (including time sheets and payroll records, and information pertaining to the Contract and to the Services, equipment, and commodities provided under the Contract) pertaining to the Contract according to generally accepted accounting principles and other procedures specified in this Section. Financial and accounting records must be made available, upon request, to the State at any time during the Audit Period. If an audit, litigation, or other action involving Contractor's records is initiated before the end of the Audit Period, the records must be retained until all issues arising out of the audit, litigation, or other action are resolved or until the end of the Audit Period, whichever is later.

2.114 Audit Resolution

If necessary, the Contractor and the State will meet to review each audit report promptly after issuance. The Contractor will respond to each audit report in writing within 30 days from receipt of the report, unless a shorter response time is specified in the report. The Contractor and the State must develop, agree upon and monitor an action plan to promptly address and resolve any deficiencies, concerns, and/or recommendations in the audit report.

2.115 Errors

If the audit demonstrates any errors in the documents provided to the State, then the amount in error must be reflected as a credit or debit on the next invoice and in subsequent invoices until the amount is paid or refunded in full. However, a credit or debit may not be carried for more than four invoices. If a balance remains after four invoices, then the remaining amount will be due as a payment or refund within 45 days of the last quarterly invoice that the balance appeared on or termination of the contract, whichever is earlier.

In addition to other available remedies, the difference between the payment received and the correct payment amount is greater than 10%, then the Contractor must pay all of the reasonable costs of the audit.

2.120   Warranties

2.121 Warranties and Representations

The Contractor represents and warrants:
(a) It is capable in all respects of fulfilling and must fulfill all of its obligations under this Contract. The performance of all obligations under this Contract must be provided in a timely, professional, and workman-like manner and must meet the performance and operational standards required under this Contract.
(b) The Contract Appendices, Attachments and Exhibits identify the equipment and software and services necessary for the Deliverable(s) to perform and Services to operate in compliance with the Contract's requirements and other standards of performance.
(c) It is the lawful owner or licensee of any Deliverable licensed or sold to the State by Contractor or developed by Contractor under this Contract, and Contractor has all of the rights necessary to convey to the State the ownership rights or licensed use, as applicable, of any and all Deliverables. None of the Deliverables provided by Contractor to the State under neither this Contract, nor their use by the State will infringe the patent, copyright, trade secret, or other proprietary rights of any third party.
(d) If, under this Contract, Contractor procures any equipment, software or other Deliverable for the State (including equipment, software and other Deliverables manufactured, re-marketed or otherwise sold by Contractor under Contractor's name), then in addition to Contractor's other responsibilities with respect to the items in this Contract, Contractor must assign or otherwise transfer to the State or its designees, or afford the State the benefits of, any manufacturer's warranty for the Deliverable.
(e) The Contract signatory has the power and authority, including any necessary corporate authorizations, necessary to enter into this Contract, on behalf of Contractor.
(f)   It is qualified and registered to transact business in all locations where required.
(g) Neither the Contractor nor any Affiliates, nor any employee of either, has, must have, or must acquire, any contractual, financial, business, or other interest, direct or indirect, that would conflict in any manner or degree with Contractor's performance of its duties and responsibilities to the State under this Contract or otherwise create an appearance of impropriety with respect to the award or performance of this Agreement. Contractor must notify the State about the nature of the conflict or appearance of impropriety within two days of learning about it.
(h) Neither Contractor nor any Affiliates, nor any employee of either has accepted or must accept anything of value based on an understanding that the actions of the Contractor or Affiliates or employee on behalf of the State would be influenced. Contractor must not attempt to influence any State employee by the direct or indirect offer of anything of value.
(i)   Neither Contractor nor any Affiliates, nor any employee of either has paid or agreed to pay any person, other than bona fide employees and consultants working solely for Contractor or the Affiliate, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Contract.

(j)   The prices proposed by Contractor were arrived at independently, without consultation, communication, or agreement with any other bidder for the purpose of restricting competition; the prices quoted were not knowingly disclosed by Contractor to any other bidder; and no attempt was made by Contractor to induce any other person to submit or not submit a proposal for the purpose of restricting competition.

(k)   All financial statements, reports, and other information furnished by Contractor to the State as part of its response to the RFP or otherwise in connection with the award of this Contract fairly and accurately represent the business, properties, financial condition, and results of operations of Contractor as of the respective dates, or for the respective periods, covered by the financial statements, reports, other information. Since the respective dates or periods covered by the financial statements, reports, or other information, there have been no material adverse changes in the business, properties, financial condition, or results of operations of Contractor.

(l)   All written information furnished to the State by or for the Contractor in connection with this Contract, including its bid, is true, accurate, and complete, and contains no untrue statement of material fact or omits any material fact necessary to make the information not misleading.

(m) It is not in material default or breach of any other contract or agreement that it may have with the State or any of its departments, commissions, boards, or agencies. Contractor further represents and warrants that it has not been a party to any contract with the State or any of its departments that was terminated by the State or the department within the previous five years for the reason that Contractor failed to perform or otherwise breached an obligation of the contract.

(n)   If any of the certifications, representations, or disclosures made in the Contractor's original bid response change after contract award, the Contractor is required to report those changes immediately to the Department of Management and Budget, Purchasing Operations.

2.122 Warranty of Merchantability

Goods provided by Contractor under this agreement shall be merchantable. All goods provided under this Contract shall be of good quality within the description given by the State, shall be fit for their ordinary purpose, shall be adequately contained and packaged within the description given by the State, shall conform to the agreed upon specifications, and shall conform to the affirmations of fact made by the Contractor or on the container or label.

2.123 Warranty of Fitness for a Particular Purpose

When the Contractor has reason to know or knows any particular purpose for which the goods are required, and the State is relying on the Contractor's skill or judgment to select or furnish suitable goods, there is a warranty that the goods are fit for such purpose.

2.124 Warranty of Title

Contractor shall, in providing goods to the State, convey good title in those goods, whose transfer is right and lawful. All goods provided by Contractor shall be delivered free from any security interest, lien, or encumbrance of which the State, at the time of contracting, has no knowledge. Goods provided by Contractor, under this Contract, shall be delivered free of any rightful claim of any third person by of infringement or the like.

2.125 Equipment Warranty

To the extent Contractor is responsible under this Contract for maintaining equipment/system(s), Contractor represents and warrants that it will maintain the equipment/system(s) in good operating condition and will undertake all repairs and preventive maintenance according to the applicable manufacturer's recommendations for the period specified in this Contract.

The Contractor represents and warrants that the equipment/system(s) are in good operating condition and operates and performs to the requirements and other standards of performance contained in this Contract, when installed, at the time of Final Acceptance by the State, and for a period of (1) one year commencing upon the first day following Final Acceptance.

Within forty-five (45) business days of notification from the State, the Contractor must adjust, repair or replace all equipment that is defective or not performing in compliance with the Contract. The Contractor must assume all costs for replacing parts or units and their installation including transportation and delivery fees, if any.

The Contractor must provide a toll-free telephone number to allow the State to report equipment failures and problems to be remedied by the Contractor.

The Contractor agrees that all warranty service it provides under this Contract must be performed by trained, certified and authorized technicians.

The Contractor is the sole point of contact for warranty service. If applicable, the Contractor warrants that it will pass through to the State any warranties obtained or available from the original equipment manufacturer, including any replacement, upgraded, or additional equipment warranties.

2.126 Equipment to be New

If applicable, all equipment provided under this Contract by Contractor shall be new where Contractor has knowledge regarding whether the equipment is new or assembled from new or serviceable used parts that are like new in performance or has the option of selecting one or the other. Equipment that is assembled from new or serviceable used parts that are like new in performance is acceptable where Contractor does not have knowledge or the ability to select one or other, unless specifically agreed otherwise in writing by the State.

2.127 Prohibited Products

The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, shall be considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items shall remain consistent for the term of the Contract, unless Purchasing Operations has approved a change order pursuant to **Section 2.024**.

2.128 Consequences for Breach

In addition to any remedies available in law, if the Contractor breaches any of the warranties contained in this section, the breach may be considered as a default in the performance of a material obligation of this Contract.

2.130   Insurance

2.131 Liability Insurance

The Contractor must provide proof of the minimum levels of insurance coverage as indicated below. The insurance must protect the State from claims that may arise out of or result from the Contractor's performance of services under the terms of this Contract, whether the services are performed by the Contractor, or by any subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain under this Contract.

All insurance coverage provided relative to this Contract/Purchase Order is PRIMARY and NON-CONTRIBUTING to any comparable liability insurance (including self-insurances) carried by the State.

The insurance must be written for not less than any minimum coverage specified in this Contract or required by law, whichever is greater.

The insurers selected by Contractor must have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if the ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract must be issued by companies that have been approved to do business in the State.
See www.michigan.gov/dleg.

Where specific limits are shown, they are the minimum acceptable limits. If Contractor's policy contains higher limits, the State must be entitled to coverage to the extent of the higher limits.

The Contractor is required to pay for and provide the type and amount of insurance checked ☑ below:

☑   1.   Commercial General Liability with the following minimum coverage:
            $2,000,000 General Aggregate Limit other than Products/Completed Operations

$2,000,000 Products/Completed Operations Aggregate Limit
$1,000,000 Personal & Advertising Injury Limit
$1,000,000 Each Occurrence Limit

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the Commercial General Liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

☑ 2. If a motor vehicle is used to provide services or products under this Contract, the Contractor must have vehicle liability insurance on any auto including owned, hired and non-owned vehicles used in Contractor's business for bodily injury and property damage as required by law.

The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the vehicle liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

☑ 3. Workers' compensation coverage must be provided according to applicable laws governing the employees and employers work activities in the state of the Contractor's domicile. If a self-insurer provides the applicable coverage, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.

Any certificates of insurance received must also provide a list of states where the coverage is applicable.

The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision must not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

☑ 4. Employers liability insurance with the following minimum limits:
$100,000 each accident
$100,000 each employee by disease
$500,000 aggregate disease

☐ 5. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars ($1,000,000.00) with a maximum deductible of fifty thousand dollars ($50,000.00).

☐ 6. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars ($10,000,000.00), which must apply, at a minimum, to the insurance required in Subsection 1 (Commercial General Liability) above.

☑ 7. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars ($3,000,000.00) each occurrence and three million dollars ($3,000,000.00) annual aggregate.

☐ 8. Fire and Personal Property Insurance covering against any loss or damage to the office space used by Contractor for any reason under this Contract, and the equipment, software and

other contents of the office space, including without limitation, those contents used by Contractor to provide the Services to the State, up to its replacement value, where the office space and its contents are under the care, custody and control of Contractor. The policy must cover all risks of direct physical loss or damage, including without limitation, flood and earthquake coverage and coverage for computer hardware and software. The State must be endorsed on the policy as a loss payee as its interests appear.

2.132 Subcontractor Insurance Coverage

Except where the State has approved in writing a Contractor subcontract with other insurance provisions, Contractor must require all of its Subcontractors under this Contract to purchase and maintain the insurance coverage as described in this Section for the Contractor in connection with the performance of work by those Subcontractors. Alternatively, Contractor may include any Subcontractors under Contractor's insurance on the coverage required in this Section. Subcontractor(s) must fully comply with the insurance coverage required in this Section. Failure of Subcontractor(s) to comply with insurance requirements does not limit Contractor's liability or responsibility.

2.133 Certificates of Insurance and Other Requirements

Contractor must furnish to DMB Purchasing Operations, certificate(s) of insurance verifying insurance coverage or providing satisfactory evidence of self-insurance as required in this Section (the "Certificates"). The Certificate must be on the standard "accord" form or equivalent. **The Contract Number or the Purchase Order Number must be shown on the Certificate Of Insurance To Assure Correct Filing.** All Certificate(s) are to be prepared and submitted by the Insurance Provider. All Certificate(s) must contain a provision indicating that coverage afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without 30 days prior written notice, except for 10 days for non-payment of premium, having been given to the Director of Purchasing Operations, Department of Management and Budget. The notice must include the Contract or Purchase Order number affected. Before the Contract is signed, and not less than 20 days before the insurance expiration date every year thereafter, the Contractor must provide evidence that the State and its agents, officers and employees are listed as additional insured under each commercial general liability and commercial automobile liability policy. In the event the State approves the representation of the State by the insurer's attorney, the attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

The Contractor must maintain all required insurance coverage throughout the term of the Contract and any extensions and, in the case of claims-made Commercial General Liability policies, must secure tail coverage for at least three years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and must not be construed; to limit any liability or indemnity of Contractor under this Contract to any indemnified party or other persons. Contractor is responsible for all deductibles with regard to the insurance. If the Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, then the State may, after the State has given the Contractor at least 30 days written notice, pay the premium or procure similar insurance coverage from another company or companies. The State may deduct any part of the cost from any payment due the Contractor, or the Contractor must pay that cost upon demand by the State.

2.140   Indemnification

2.141 General Indemnification

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from liability, including all claims and losses, and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties),

accruing or resulting to any person, firm or corporation that may be injured or damaged by the Contractor in the performance of this Contract and that are attributable to the negligence or tortious acts of the Contractor or any of its subcontractors, or by anyone else for whose acts any of them may be liable.

2.142 Code Indemnification

To the extent permitted by law, the Contractor shall indemnify, defend and hold harmless the State from any claim, loss, or expense arising from Contractor's breach of the No Surreptitious Code Warranty.

2.143 Employee Indemnification

In any claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its subcontractors, the indemnification obligation under the Contract must not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its subcontractors under worker's disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other provisions.

2.144 Patent/Copyright Infringement Indemnification

To the extent permitted by law, the Contractor must indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys' fees and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or proceeding threatened or brought against the State to the extent that the action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its subcontractors, or the operation of the equipment, software, commodity or service, or the use or reproduction of any documentation provided with the equipment, software, commodity or service infringes any United States patent, copyright, trademark or trade secret of any person or entity, which is enforceable under the laws of the United States.

In addition, should the equipment, software, commodity, or service, or its operation, become or in the State's or Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor must at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if the option is not reasonably available to the Contractor, (ii) replace or modify to the State's satisfaction the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if the option is not reasonably available to Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

Notwithstanding the foregoing, the Contractor has no obligation to indemnify or defend the State for, or to pay any costs, damages or attorneys' fees related to, any claim based upon (i) equipment developed based on written specifications of the State; (ii) use of the equipment in a configuration other than implemented or approved in writing by the Contractor, including, but not limited to, any modification of the equipment by the State; or (iii) the combination, operation, or use of the equipment with equipment or software not supplied by the Contractor under this Contract.

2.145 Continuation of Indemnification Obligations

The Contractor's duty to indemnify under this Section continues in full force and effect, notwithstanding the expiration or early cancellation of the Contract, with respect to any claims based on facts or conditions that occurred before expiration or cancellation.

2.146 Indemnification Procedures

The procedures set forth below must apply to all indemnity obligations under this Contract.

(a) After the State receives notice of the action or proceeding involving a claim for which it will seek indemnification, the State must promptly notify Contractor of the claim in writing and take or assist Contractor in taking, as the case may be, any reasonable action to avoid the imposition of a default judgment against Contractor. No failure to notify the Contractor relieves the Contractor of its indemnification obligations except to the extent that the Contractor can prove damages attributable to the failure. Within 10 days following receipt of written notice from the State relating to any claim, the Contractor must notify the State in writing whether Contractor agrees to assume control of the defense and settlement of that claim (a "Notice of Election"). After notifying

Contractor of a claim and before the State receiving Contractor's Notice of Election, the State is entitled to defend against the claim, at the Contractor's expense, and the Contractor will be responsible for any reasonable costs incurred by the State in defending against the claim during that period.

(b) If Contractor delivers a Notice of Election relating to any claim: (i) the State is entitled to participate in the defense of the claim and to employ counsel at its own expense to assist in the handling of the claim and to monitor and advise the State about the status and progress of the defense; (ii) the Contractor must, at the request of the State, demonstrate to the reasonable satisfaction of the State, the Contractor's financial ability to carry out its defense and indemnity obligations under this Contract; (iii) the Contractor must periodically advise the State about the status and progress of the defense and must obtain the prior written approval of the State before entering into any settlement of the claim or ceasing to defend against the claim and (iv) to the extent that any principles of Michigan governmental or public law may be involved or challenged, the State has the right, at its own expense, to control the defense of that portion of the claim involving the principles of Michigan governmental or public law. But the State may retain control of the defense and settlement of a claim by notifying the Contractor in writing within 10 days after the State's receipt of Contractor's information requested by the State under clause (ii) of this paragraph if the State determines that the Contractor has failed to demonstrate to the reasonable satisfaction of the State the Contractor's financial ability to carry out its defense and indemnity obligations under this Section. Any litigation activity on behalf of the State, or any of its subdivisions under this Section, must be coordinated with the Department of Attorney General. In the event the insurer's attorney represents the State under this Section, the insurer's attorney may be required to be designated as a Special Assistant Attorney General by the Attorney General of the State of Michigan.

(c) If Contractor does not deliver a Notice of Election relating to any claim of which it is notified by the State as provided above, the State may defend the claim in the manner as it may deem appropriate, at the cost and expense of Contractor. If it is determined that the claim was one against which Contractor was required to indemnify the State, upon request of the State, Contractor must promptly reimburse the State for all the reasonable costs and expenses.

2.150   Termination/Cancellation

2.151 Notice and Right to Cure

If the Contractor breaches the contract, and the State in its sole discretion determines that the breach is curable, then the State will provide the Contractor with written notice of the breach and a time period (not less than 30 days) to cure the Breach. The notice of breach and opportunity to cure is inapplicable for successive or repeated breaches or if the State determines in its sole discretion that the breach poses a serious and imminent threat to the health or safety of any person or the imminent loss, damage, or destruction of any real or tangible personal property.

2.152 Termination for Cause

(a) The State may terminate this contract, for cause, by notifying the Contractor in writing, if the Contractor (i) breaches any of its material duties or obligations under this Contract (including a Chronic Failure to meet any particular SLA), or (ii) fails to cure a breach within the time period specified in the written notice of breach provided by the State

(b) If this Contract is terminated for cause, the Contractor must pay all costs incurred by the State in terminating this Contract, including but not limited to, State administrative costs, reasonable attorneys' fees and court costs, and any reasonable additional costs the State may incur to procure the Services/Deliverables required by this Contract from other sources. Re-procurement costs are not consequential, indirect or incidental damages, and cannot be excluded by any other terms otherwise included in this Contract, provided the costs are not in excess of 50% more than the prices for the Service/Deliverables provided under this Contract.

(c) If the State chooses to partially terminate this Contract for cause, charges payable under this Contract will be equitably adjusted to reflect those Services/Deliverables that are terminated and the State must pay for all Services/Deliverables for which Final Acceptance has been granted provided up to the termination date. Services and related provisions of this Contract that are terminated for cause must cease on the effective date of the termination.

(d) If the State terminates this Contract for cause under this Section, and it is determined, for any reason, that Contractor was not in breach of contract under the provisions of this section, that termination for cause must be deemed to have been a termination for convenience, effective as of the same date, and the rights and obligations of the parties must be limited to that otherwise provided in this Contract for a termination for convenience.

2.153 Termination for Convenience

The State may terminate this Contract for its convenience, in whole or part, if the State determines that a termination is in the State's best interest. Reasons for the termination must be left to the sole discretion of the State and may include, but not necessarily be limited to (a) the State no longer needs the Services or products specified in the Contract, (b) relocation of office, program changes, changes in laws, rules, or regulations make implementation of the Services no longer practical or feasible, (c) unacceptable prices for Additional Services or New Work requested by the State, or (d) falsification or misrepresentation, by inclusion or non-inclusion, of information material to a response to any RFP issued by the State. The State may terminate this Contract for its convenience, in whole or in part, by giving Contractor written notice at least 30 days before the date of termination. If the State chooses to terminate this Contract in part, the charges payable under this Contract must be equitably adjusted to reflect those Services/Deliverables that are terminated. Services and related provisions of this Contract that are terminated for cause must cease on the effective date of the termination.

2.154 Termination for Non-Appropriation

(a) Contractor acknowledges that, if this Contract extends for several fiscal years, continuation of this Contract is subject to appropriation or availability of funds for this Contract. If funds to enable the State to effect continued payment under this Contract are not appropriated or otherwise made available, the State must terminate this Contract and all affected Statements of Work, in whole or in part, at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of termination to Contractor. The State must give Contractor at least 30 days advance written notice of termination for non-appropriation or unavailability (or the time as is available if the State receives notice of the final decision less than 30 days before the funding cutoff).

(b) If funding for the Contract is reduced by law, or funds to pay Contractor for the agreed-to level of the Services or production of Deliverables to be provided by Contractor are not appropriated or otherwise unavailable, the State may, upon 30 days written notice to Contractor, reduce the level of the Services or the change the production of Deliverables in the manner and for the periods of time as the State may elect. The charges payable under this Contract will be equitably adjusted to reflect any equipment, services or commodities not provided by reason of the reduction.

(c) If the State terminates this Contract, eliminates certain Deliverables, or reduces the level of Services to be provided by Contractor under this Section, the State must pay Contractor for all Work-in-Process performed through the effective date of the termination or reduction in level, as the case may be and as determined by the State, to the extent funds are available. This Section will not preclude Contractor from reducing or stopping Services/Deliverables or raising against the State in a court of competent jurisdiction, any claim for a shortfall in payment for Services performed or Deliverables finally accepted before the effective date of termination.

2.155 Termination for Criminal Conviction

The State may terminate this Contract immediately and without further liability or penalty in the event Contractor, an officer of Contractor, or an owner of a 25% or greater share of Contractor is convicted of a criminal offense related to a State, public or private Contract or subcontract.

2.156 Termination for Approvals Rescinded

The State may terminate this Contract if any final administrative or judicial decision or adjudication disapproves a previously approved request for purchase of personal services under Constitution 1963, Article 11, § 5, and Civil Service Rule 7-1. In that case, the State will pay the Contractor for only the work completed to that point under the Contract. Termination may be in whole or in part and may be immediate as of the date of the written notice to Contractor or may be effective as of the date stated in the written notice.

2.157 Rights and Obligations upon Termination

(a) If the State terminates this Contract for any reason, the Contractor must (a) stop all work as specified in the notice of termination, (b) take any action that may be necessary, or that the State may direct, for preservation and protection of Deliverables or other property derived or resulting from this Contract that may be in Contractor's possession, (c) return all materials and property provided directly or indirectly to Contractor by any entity, agent or employee of the State, (d) transfer title in, and deliver to, the State, unless otherwise directed, all Deliverables intended to be transferred to the State at the termination of the Contract and which are resulting from the Contract (which must be provided to the State on an "As-Is" basis except to the extent the amounts paid by the State in respect of the items included compensation to Contractor for the provision of warranty services in respect of the materials), and (e) take any action to mitigate and limit any potential damages, or requests for Contractor adjustment or termination settlement costs, to the maximum practical extent, including terminating or limiting as otherwise applicable those subcontracts and outstanding orders for material and supplies resulting from the terminated Contract.

(b) If the State terminates this Contract before its expiration for its own convenience, the State must pay Contractor for all charges due for Services provided before the date of termination and, if applicable, as a separate item of payment under this Contract, for Work In Process, on a percentage of completion basis at the level of completion determined by the State. All completed or partially completed Deliverables prepared by Contractor under this Contract, at the option of the State, becomes the State's property, and Contractor is entitled to receive equitable fair compensation for the Deliverables. Regardless of the basis for the termination, the State is not obligated to pay, or otherwise compensate, Contractor for any lost expected future profits, costs or expenses incurred with respect to Services not actually performed for the State.

(c) Upon a good faith termination, the State may assume, at its option, any subcontracts and agreements for services and deliverables provided under this Contract, and may further pursue completion of the Services/Deliverables under this Contract by replacement contract or otherwise as the State may in its sole judgment deem expedient.

2.158 Reservation of Rights

Any termination of this Contract or any Statement of Work issued under it by a party must be with full reservation of, and without prejudice to, any rights or remedies otherwise available to the party with respect to any claims arising before or as a result of the termination.

2.160   Termination by Contractor

2.161 Termination by Contractor

If the State breaches the Contract, and the Contractor in its sole discretion determines that the breach is curable, then the Contractor will provide the State with written notice of the breach and a time period (not less than 30 days) to cure the breach. The Notice of Breach and opportunity to cure is inapplicable for successive and repeated breaches.

The Contractor may terminate this Contract if the State (i) materially breaches its obligation to pay the Contractor undisputed amounts due and owing under this Contract, (ii) breaches its other obligations under this Contract to an extent that makes it impossible or commercially impractical for the Contractor to perform the Services, or (iii) does not cure the breach within the time period specified in a written notice of breach. But the Contractor must discharge its obligations under **Section 2.160** before it terminates the Contract.

2.170   Transition Responsibilities

2.171 Contractor Transition Responsibilities

If the State terminates this contract, for convenience or cause, or if the Contract is otherwise dissolved, voided, rescinded, nullified, expires or rendered unenforceable, the Contractor agrees to comply with direction provided by the State to assist in the orderly transition of equipment, services, software, leases, etc. to the State or a third party designated by the State. If this Contract expires or terminates, the Contractor agrees to make all reasonable efforts to effect an orderly transition of services within a reasonable period of time that in no event will exceed 90 days. These efforts must include, but are not limited to, those listed in **Sections 2.141, 2.142, 2.143, 2.144, and 2.145.**

2.172 Contractor Personnel Transition

The Contractor must work with the State, or a specified third party, to develop a transition plan setting forth the specific tasks and schedule to be accomplished by the parties, to effect an orderly transition. The Contractor must allow as many personnel as practicable to remain on the job to help the State, or a specified third party, maintain the continuity and consistency of the services required by this Contract. In addition, during or following the transition period, in the event the State requires the Services of the Contractor's subcontractors or vendors, as necessary to meet its needs, Contractor agrees to reasonably, and with good-faith, work with the State to use the Services of Contractor's subcontractors or vendors. Contractor will notify all of Contractor's subcontractors of procedures to be followed during transition.

2.173 Contractor Information Transition

The Contractor agrees to provide reasonable detailed specifications for all Services/Deliverables needed by the State, or specified third party, to properly provide the Services/Deliverables required under this Contract. The Contractor will provide the State with asset management data generated from the inception of this Contract through the date on which this Contractor is terminated in a comma-delineated format unless otherwise requested by the State. The Contractor will deliver to the State any remaining owed reports and documentation still in Contractor's possession subject to appropriate payment by the State.

2.174 Contractor Software Transition

The Contractor must reasonably assist the State in the acquisition of any Contractor software required to perform the Services/use the Deliverables under this Contract. This must include any documentation being used by the Contractor to perform the Services under this Contract. If the State transfers any software licenses to the Contractor, those licenses must, upon expiration of the Contract, transfer back to the State at their current revision level. Upon notification by the State, Contractor may be required to freeze all non-critical changes to Deliverables/Services.

2.175 Transition Payments

If the transition results from a termination for any reason, the termination provisions of this Contract must govern reimbursement. If the transition results from expiration, the Contractor will be reimbursed for all reasonable transition costs (i.e. costs incurred within the agreed period after contract expiration that result from transition operations) at the rates agreed upon by the State. The Contractor will prepare an accurate accounting from which the State and Contractor may reconcile all outstanding accounts.

2.176 State Transition Responsibilities

In the event that this Contract is terminated, dissolved, voided, rescinded, nullified, or otherwise rendered unenforceable, the State agrees to reconcile all accounts between the State and the Contractor, complete any pending post-project reviews and perform any others obligations upon which the State and the Contractor agree.
(a) Reconciling all accounts between the State and the Contractor;
(b) Completing any pending post-project reviews.

2.180   Stop Work

2.181   Stop Work Orders

The State may, at any time, by written stop work order to Contractor, require that Contractor stop all, or any part, of the work called for by the Contract for a period of up to 90 calendar days after the stop work order is delivered to Contractor, and for any further period to which the parties may agree. The stop work order must be identified as a stop work order and must indicate that it is issued under this **Section 2.150**. Upon receipt of the stop work order, Contractor must immediately comply with its terms and take all reasonable steps to minimize incurring costs allocable to the work covered by the stop work order during the period of work stoppage. Within the period of the stop work order, the State must either: (a) cancel the stop work order; or (b) terminate the work covered by the stop work order as provided in **Section 2.130**.

2.182   Cancellation or Expiration of Stop Work Order

The Contractor must resume work if the State cancels a Stop Work Order or if it expires. The parties will agree upon an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract must be modified, in writing, accordingly, if: (a) the stop work order results in an increase in the time required for, or in Contractor's costs properly allocable to, the performance of any part of the Contract; and (b) Contractor asserts its right to an equitable adjustment within 30 calendar days after the end of the period of work stoppage; provided that, if the State decides the facts justify the action, the State may receive and act upon a Contractor proposal submitted at any time before final payment under the Contract. Any adjustment will conform to the requirements of **Section 2.024**.

2.183   Allowance of Contractor Costs

If the stop work order is not canceled and the work covered by the stop work order is terminated for reasons other than material breach, the termination must be deemed to be a termination for convenience under **Section 2.153**, and the State will pay reasonable costs resulting from the stop work order in arriving at the termination settlement. For the avoidance of doubt, the State is not liable to Contractor for loss of profits because of a stop work order issued under this Section**.**

2.190   Dispute Resolution

2.191   In General

Any claim, counterclaim, or dispute between the State and Contractor arising out of or relating to the Contract or any Statement of Work must be resolved as follows. For all Contractor claims seeking an increase in the amounts payable to Contractor under the Contract, or the time for Contractor's performance, Contractor must submit a letter, together with all data supporting the claims, executed by Contractor's Contract Administrator or the Contract Administrator's designee certifying that (a) the claim is made in good faith, (b) the amount claimed accurately reflects the adjustments in the amounts payable to Contractor or the time for Contractor's performance for which Contractor believes the State is liable and covers all costs of every type to which Contractor is entitled from the occurrence of the claimed event, and (c) the claim and the supporting data are current and complete to Contractor's best knowledge and belief.

2.192   Informal Dispute Resolution

(a)   All disputes between the parties must be resolved under the Contract Management procedures in this Contract. If the parties are unable to resolve any disputes after compliance with the processes, the parties must meet with the Director of Purchasing Operations, DMB, or designee, for the purpose of attempting to resolve the dispute without the need for formal legal proceedings, as follows:

(1)   The representatives of Contractor and the State must meet as often as the parties reasonably deem necessary to gather and furnish to each other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The representatives must discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding.

(2)   During the course of negotiations, all reasonable requests made by one party to another for non-privileged information reasonably related to the Contract will be honored in order that each of the parties may be fully advised of the other's position.

(3)   The specific format for the discussions will be left to the discretion of the designated State and Contractor representatives, but may include the preparation of agreed upon statements of fact or written statements of position.

(4)   Following the completion of this process within 60 calendar days, the Director of Purchasing Operations, DMB, or designee, must issue a written opinion regarding the issue(s) in dispute within 30 calendar days. The opinion regarding the dispute must be considered the State's final action and the exhaustion of administrative remedies.

(b)   This Section will not be construed to prevent either party from instituting, and a party is authorized to institute, formal proceedings earlier to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or under Section 2.193.

(c)   The State will not mediate disputes between the Contractor and any other entity, except state agencies, concerning responsibility for performance of work under the Contract.

2.193 Injunctive Relief

The only circumstance in which disputes between the State and Contractor will not be subject to the provisions of **Section 2.192** is where a party makes a good faith determination that a breach of the terms of the Contract by the other party is the that the damages to the party resulting from the breach will be so immediate, so large or severe and so incapable of adequate redress after the fact that a temporary restraining order or other immediate injunctive relief is the only adequate remedy.

2.194 Continued Performance

Each party agrees to continue performing its obligations under the Contract while a dispute is being resolved except to the extent the issue in dispute precludes performance (dispute over payment must not be deemed to preclude performance) and without limiting either party's right to terminate the Contract as provided in **Section 2.150**, as the case may be.

2.200   Federal and State Contract Requirements

2.201 Nondiscrimination

In the performance of the Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, and marital status, physical or mental disability. Contractor further agrees that every subcontract entered into for the performance of this Contract or any purchase order resulting from this Contract will contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required under the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, et seq., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, et seq., and any breach of this provision may be regarded as a material breach of the Contract.

2.202 Unfair Labor Practices

Under 1980 PA 278, MCL 423.321, et seq., the State must not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled under section 2 of the Act. This information is compiled by the United States National Labor Relations Board. A Contractor of the State, in relation to the Contract, must not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register. Under section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, after award of the Contract, the name of Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of Contractor appears in the register.

2.203 Workplace Safety and Discriminatory Harassment

In performing Services for the State, the Contractor must comply with the Department of Civil Services Rule 2-20 regarding Workplace Safety and Rule 1-8.3 regarding Discriminatory Harassment. In addition, the Contractor must comply with Civil Service regulations and any applicable agency rules provided to the Contractor. For Civil Service Rules, see http://www.mi.gov/mdcs/0,1607,7-147-6877---,00.html.

2.204 Prevailing Wage

The rates of wages and fringe benefits to be paid each class of individuals employed by the Contractor, its subcontractors, their subcontractors, and all persons involved with the performance of this Contract in privity of contract with the Contractor shall not be less than the wage rates and fringe benefits established by the Michigan Department of Labor and Economic Development, Wage and Hour Bureau, schedule of occupational classification and wage rates and fringe benefits for the local where the work is to be performed. The term Contractor shall include all general contractors, prime contractors, project managers, trade contractors, and all of their contractors or subcontractors and persons in privity of contract with them.

The Contractor, its subcontractors, their subcontractors and all persons involved with the performance of this contract in privity of contract with the Contractor shall keep posted on the work site, in a conspicuous place, a copy of all wage rates and fringe benefits as prescribed in the contract. You must also post, in a conspicuous place, the address and telephone number of the Michigan Department of Labor and Economic Development, the office responsible for enforcement of the wage rates and fringe benefits. You shall keep an accurate record showing the name and occupation of the actual wage and benefits paid to each individual employed in connection with this contract. This record shall be available to the State upon request for reasonable inspection.

If any trade is omitted from the list of wage rates and fringe benefits to be paid to each class of individuals by the Contractor, it is understood that the trades omitted shall also be paid not less than the wage rate and fringe benefits prevailing in the local where the work is to be performed.

2.210   Governing Law

2.211 Governing Law

The Contract must in all respects be governed by, and construed according to, the substantive laws of the State of Michigan without regard to any Michigan choice of law rules that would apply the substantive law of any other jurisdiction to the extent not inconsistent with, or pre-empted by federal law.

2.212 Compliance with Laws

Contractor shall comply with all applicable state, federal and local laws and ordinances in providing the Services/Deliverables.

2.213 Jurisdiction

Any dispute arising from the Contract must be resolved in the State of Michigan. With respect to any claim between the parties, Contractor consents to venue in Ingham County, Michigan, and irrevocably waives any objections it may have to the jurisdiction on the grounds of lack of personal jurisdiction of the court or the laying of venue of the court or on the basis of forum non conveniens or otherwise. Contractor agrees to appoint agents in the State of Michigan to receive service of process.

2.220   Limitation of Liability

2.221 Limitation of Liability

Neither the Contractor nor the State is liable to each other, regardless of the form of action, for consequential, incidental, indirect, or special damages. This limitation of liability does not apply to claims for infringement of United States patent, copyright, trademark or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

The Contractor's liability for damages to the State is limited to two times the value of the Contract or $500,000 which ever is higher. The foregoing limitation of liability does not apply to claims for infringement of United States patent, copyright, trademarks or trade secrets; to claims for personal injury or damage to property caused by the gross negligence or willful misconduct of the Contractor; to claims covered by other specific provisions of this Contract calling for liquidated damages; or to court costs or attorney's fees awarded by a court in addition to damages after litigation based on this Contract.

The State's liability for damages to the Contractor is limited to the value of the Contract.

2.230 Disclosure Responsibilities

2.231 Disclosure of Litigation

Contractor must disclose any material criminal litigation, investigations or proceedings involving the Contractor (and each Subcontractor) or any of its officers or directors or any litigation, investigations or proceedings under the Sarbanes-Oxley Act. In addition, each Contractor (and each Subcontractor) must notify the State of any material civil litigation, arbitration or proceeding which arises during the term of the Contract and extensions, to which Contractor (or, to the extent Contractor is aware, any Subcontractor) is a party, and which involves: (i) disputes that might reasonably be expected to adversely affect the viability or financial stability of Contractor or any Subcontractor; or (ii) a claim or written allegation of fraud against Contractor or, to the extent Contractor is aware, any Subcontractor by a governmental or public entity arising out of their business dealings with governmental or public entities. The Contractor must disclose in writing to the Contract Administrator any litigation, investigation, arbitration or other proceeding (collectively, "Proceeding") within 30 days of its occurrence. Details of settlements that are prevented from disclosure by the terms of the settlement may be annotated. Information provided to the State from Contractor's publicly filed documents referencing its material litigation will be deemed to satisfy the requirements of this Section.

If any Proceeding disclosed to the State under this Section, or of which the State otherwise becomes aware, during the term of this Contract would cause a reasonable party to be concerned about:
(a) the ability of Contractor (or a Subcontractor) to continue to perform this Contract according to its terms and conditions, or
(b) whether Contractor (or a Subcontractor) in performing Services for the State is engaged in conduct which is similar in nature to conduct alleged in the Proceeding, which conduct would constitute a breach of this Contract or a violation of Michigan law, regulations or public policy, then the Contractor must provide the State all reasonable assurances requested by the State to demonstrate that:
 (1) Contractor and its Subcontractors will be able to continue to perform this Contract and any Statements of Work according to its terms and conditions, and
 (2) Contractor and its Subcontractors have not and will not engage in conduct in performing the Services which is similar in nature to the conduct alleged in the Proceeding.
(c) Contractor must make the following notifications in writing:
 (1) Within 30 days of Contractor becoming aware that a change in its ownership or officers has occurred, or is certain to occur, or a change that could result in changes in the valuation of its capitalized assets in the accounting records, Contractor must notify DMB Purchasing Operations.
 (2) Contractor must also notify DMB Purchasing Operations within 30 days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.
 (3) Contractor must also notify DMB Purchase Operations within 30 days whenever changes to company affiliations occur.

2.232 Call Center Disclosure

Contractor and/or all subcontractors involved in the performance of this Contract providing call or contact center services to the State must disclose the location of its call or contact center services to inbound callers. Failure to disclose this information is a material breach of this Contract.

2.233 Bankruptcy

The State may, without prejudice to any other right or remedy, terminate this Contract, in whole or in part, and, at its option, may take possession of the "Work in Process" and finish the Works in Process by whatever appropriate method the State may deem expedient if:
(a) the Contractor files for protection under the bankruptcy laws;
(b) an involuntary petition is filed against the Contractor and not removed within 30 days;
(c the Contractor becomes insolvent or if a receiver is appointed due to the Contractor's insolvency;

(d) the Contractor makes a general assignment for the benefit of creditors; or

(e) the Contractor or its affiliates are unable to provide reasonable assurances that the Contractor or its affiliates can deliver the services under this Contract.

Contractor will fix appropriate notices or labels on the Work in Process to indicate ownership by the State. To the extent reasonably possible, materials and Work in Process must be stored separately from other stock and marked conspicuously with labels indicating ownership by the State.

2.240   Performance

2.241 Time of Performance

(a) Contractor must use commercially reasonable efforts to provide the resources necessary to complete all Services and Deliverables according to the time schedules contained in the Statements of Work and other Exhibits governing the work, and with professional quality.

(b) Without limiting the generality of **Section 2.241,** Contractor must notify the State in a timely manner upon becoming aware of any circumstances that may reasonably be expected to jeopardize the timely and successful completion of any Deliverables/Services on the scheduled due dates in the latest State-approved delivery schedule and must inform the State of the projected actual delivery date.

(c) If the Contractor believes that a delay in performance by the State has caused or will cause the Contractor to be unable to perform its obligations according to specified Contract time periods, the Contractor must notify the State in a timely manner and must use commercially reasonable efforts to perform its obligations according to the Contract time periods notwithstanding the State's failure. Contractor will not be in default for a delay in performance to the extent the delay is caused by the State.

2.242 Service Level Agreement (SLA)

(a) SLAs will be completed with the following operational considerations:

   (1) SLAs will not be calculated for individual Incidents where any event of Excusable Failure has been determined; Incident means any interruption in Services.
   (2) SLAs will not be calculated for individual Incidents where loss of service is planned and where the State has received prior notification or coordination.
   (3) SLAs will not apply if the applicable Incident could have been prevented through planning proposed by Contractor and not implemented at the request of the State. To invoke this consideration, complete documentation relevant to the denied planning proposal must be presented to substantiate the proposal.
   (4) Time period measurements will be based on the time Incidents are received by the Contractor and the time that the State receives notification of resolution based on 24x7x365 time period, except that the time period measurement will be suspended based on the following:
      (i) Time period(s) will not apply where Contractor does not have access to a physical State Location and where access to the State Location is necessary for problem identification and resolution.
      (ii) Time period(s) will not apply where Contractor needs to obtain timely and accurate information or appropriate feedback and is unable to obtain timely and accurate information or appropriate feedback from the State.

(b) Chronic Failure for any Service(s) will be defined as three unscheduled outage(s) or interruption(s) on any individual Service for the same reason or cause or if the same reason or cause was reasonably discoverable in the first instance over a rolling 30 day period. Chronic Failure will result in the State's option to terminate the effected individual Service(s) and procure them from a different vendor for the chronic location(s) with Contractor to pay the difference in charges for up to three additional months. The termination of the Service will not affect any tiered pricing levels.

(c) Root Cause Analysis will be performed on any Business Critical outage(s) or outage(s) on Services when requested by the Contract Administrator. Contractor will provide its analysis within two weeks of outage(s) and provide a recommendation for resolution.

(d) All decimals must be rounded to two decimal places with five and greater rounding up and four and less rounding down unless otherwise specified.

2.243 Liquidated Damages

The parties acknowledge that late or improper completion of the Work will cause loss and damage to the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained

by the State as a result. Therefore, Contractor and the State agree that if there is late or improper completion of the Work and the State does not elect to exercise its rights under **Section 2.141**, the State is entitled to collect liquidated damages in the amount of $5,000.00 and an additional $100.00 per day for each day Contractor fails to remedy the late or improper completion of the Work.

Unauthorized Removal of any Key Personnel
It is acknowledged that an Unauthorized Removal will interfere with the timely and proper completion of the Contract, to the loss and damage of the State, and that it would be impracticable and extremely difficult to fix the actual damage sustained by the State as a result of any Unauthorized Removal. Therefore, Contractor and the State agree that in the case of any Unauthorized Removal in respect of which the State does not elect to exercise its rights under **Section 2.141**, the State may assess liquidated damages against Contractor as specified below.

For the Unauthorized Removal of any Key Personnel designated in the applicable Statement of Work, the liquidated damages amount is $25,000.00 per individual if the Contractor identifies a replacement approved by the State under **Section 2.060** and assigns the replacement to the Project to shadow the Key Personnel who is leaving for a period of at least 30 days before the Key Personnel's removal.

If Contractor fails to assign a replacement to shadow the removed Key Personnel for at least 30 days, in addition to the $25,000.00 liquidated damages for an Unauthorized Removal, Contractor must pay the amount of $833.33 per day for each day of the 30 day shadow period that the replacement Key Personnel does not shadow the removed Key Personnel, up to $25,000.00 maximum per individual. The total liquidated damages that may be assessed per Unauthorized Removal and failure to provide 30 days of shadowing must not exceed $50,000.00 per individual.

2.244 Excusable Failure

Neither party will be liable for any default, damage or delay in the performance of its obligations under the Contract to the extent the default, damage or delay is caused by government regulations or requirements (executive, legislative, judicial, military or otherwise), power failure, electrical surges or current fluctuations, lightning, earthquake, war, water or other forces of nature or acts of God, delays or failures of transportation, equipment shortages, suppliers' failures, or acts or omissions of common carriers, fire; riots, civil disorders; strikes or other labor disputes, embargoes; injunctions (provided the injunction was not issued as a result of any fault or negligence of the party seeking to have its default or delay excused); or any other cause beyond the reasonable control of a party; provided the non-performing party and its Subcontractors are without fault in causing the default or delay, and the default or delay could not have been prevented by reasonable precautions and cannot reasonably be circumvented by the non-performing party through the use of alternate sources, workaround plans or other means, including disaster recovery plans.

If a party does not perform its contractual obligations for any of the reasons listed above, the non-performing party will be excused from any further performance of its affected obligation(s) for as long as the circumstances prevail. But the party must use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without delay. A party must promptly notify the other party in writing immediately after the excusable failure occurs, and also when it abates or ends.

If any of the above-enumerated circumstances substantially prevent, hinder, or delay the Contractor's performance of the Services/provision of Deliverables for more than 10 Business Days, and the State determines that performance is not likely to be resumed within a period of time that is satisfactory to the State in its reasonable discretion, then at the State's option: (a) the State may procure the affected Services/Deliverables from an alternate source, and the State is not be liable for payment for the unperformed Services/ Deliverables not provided under the Contract for so long as the delay in performance continues; (b) the State may terminate any portion of the Contract so affected and the

charges payable will be equitably adjusted to reflect those Services/Deliverables terminated; or (c) the State may terminate the affected Statement of Work without liability to Contractor as of a date specified by the State in a written notice of termination to the Contractor, except to the extent that the State must pay for Services/Deliverables provided through the date of termination.

The Contractor will not have the right to any additional payments from the State as a result of any Excusable Failure occurrence or to payments for Services not rendered/Deliverables not provided as a result of the Excusable Failure condition. Defaults or delays in performance by Contractor which are caused by acts or omissions of its Subcontractors will not relieve Contractor of its obligations under the Contract except to the extent that a Subcontractor is itself subject to an Excusable Failure condition described above and Contractor cannot reasonably circumvent the effect of the Subcontractor's default or delay in performance through the use of alternate sources, workaround plans or other means.

2.250   Approval of Deliverables

2.251   Delivery of Deliverables

A list of the Deliverables to be prepared and delivered by Contractor including, for each Deliverable, the scheduled delivery date and a designation of whether the Deliverable is a document ("Written Deliverable") or a Custom Software Deliverable is attached, if applicable. All Deliverables shall be completed and delivered for State review and written approval and, where applicable, installed in accordance with the State-approved delivery schedule and any other applicable terms and conditions of this Contract.

Prior to delivering any Deliverable to the State, Contractor will first perform all required quality assurance activities, and, in the case of Custom Software Deliverables, System Testing to verify that the Deliverable is complete and in conformance with its specifications. Before delivering a Deliverable to the State, Contractor shall certify to the State that (1) it has performed such quality assurance activities, (2) it has performed any applicable testing, (3) it has corrected all material deficiencies discovered during such quality assurance activities and testing, (4) the Deliverable is in a suitable state of readiness for the State's review and approval, and (5) the Deliverable/Service has all Critical Security patches/updates applied.

In discharging its obligations under this Section, Contractor shall be at all times (except where the parties agree otherwise in writing) in compliance with Level 3 of the Software Engineering Institute's Capability Maturity Model for Software ("CMM Level 3") or its equivalent.

2.252   Contractor System Testing

Contractor will be responsible for System Testing each Custom Software Deliverable in Contractor's development environment prior to turning over the Custom Software Deliverable to the State for User Acceptance Testing and approval. Contractor's System Testing shall include the following, at a minimum, plus any other testing required by CMMI Level 3 or Contractor's system development methodology:

Contractor will be responsible for performing Unit Testing and incremental Integration Testing of the components of each Custom Software Deliverable.

Contractor's System Testing will also include Integration Testing of each Custom Software Deliverable to ensure proper inter-operation with all prior software Deliverables, interfaces and other components that are intended to inter-operate with such Custom Software Deliverable, and will include Regression Testing, volume and stress testing to ensure that the Custom Software Deliverables are able to meet the State's projected growth in the number and size of transactions to be processed by the Application and number of users, as such projections are set forth in the applicable Statement of Work.

Contractor's System Testing will also include Business Function Testing and Technical Testing of each Application in a simulated production environment. Business Function Testing will include testing of full work streams that flow through the Application as the Application will be incorporated within the State's computing environment. The State shall participate in and provide support for the Business Function Testing to the extent reasonably requested by Contractor. Within ten (10) days before the commencement of Business Function Testing pursuant to this Section, Contractor shall provide the State for State review and written approval Contractor's test plan for Business Function Testing.

Within five (5) Business Days following the completion of System Testing pursuant to this **Section**, Contractor shall provide to the State a testing matrix establishing that testing for each condition identified in the System Testing plans has been conducted and successfully concluded. To the extent that testing occurs on State premises, the State shall be entitled to observe or otherwise participate in testing under this Section as the State may elect.

2.253   Approval of Deliverables, In General

All Deliverables (Written Deliverables and Custom Software Deliverables) require formal written approval by the State, in accordance with the following procedures. Formal approval by the State requires that the Deliverable be confirmed in writing by the State to meet its specifications, which, in the case of Custom Software Deliverables, will include the successful completion of State User Acceptance Testing, to be led by the State with the support and assistance of Contractor. The parties acknowledge that the approval process set forth herein will be facilitated by ongoing consultation between the parties, visibility of interim and intermediate Deliverables and collaboration on key decisions.

The State's obligation to comply with any State Review Period is conditioned on the timely delivery of Deliverables being reviewed. If Contractor fails to provide a Deliverable to the State in a timely manner, the State will nevertheless use commercially reasonable efforts to complete its review or testing within the applicable State Review Period.

Before commencement of its review or testing of a Deliverable, the State may inspect the Deliverable to confirm that all components of the Deliverable (e.g., software, associated documentation, and other materials) have been delivered. If the State determines that the Deliverable is incomplete, the State may refuse delivery of the Deliverable without performing any further inspection or testing of the Deliverable. Otherwise, the review period will be deemed to have started on the day the State receives the Deliverable and the applicable certification by Contractor in accordance with this Section.

The State will approve in writing a Deliverable upon confirming that it conforms to and, in the case of a Custom Software Deliverable, performs in accordance with, its specifications without material deficiency. The State may, but shall not be required to, conditionally approve in writing a Deliverable that contains material deficiencies if the State elects to permit Contractor to rectify them post-approval. In any case, Contractor will be responsible for working diligently to correct within a reasonable time at Contractor's expense all deficiencies in the Deliverable that remain outstanding at the time of State approval.

If, after three (3) opportunities (the original and two repeat efforts), Contractor is unable to correct all deficiencies preventing State approval of a Deliverable, the State may: (i) demand that Contractor cure the failure and give Contractor additional time to cure the failure at the sole expense of Contractor; or (ii) keep this Contract in force and do, either itself or through other parties, whatever Contractor has failed to do, in which event Contractor shall bear any excess expenditure incurred by the State in so doing beyond the contract price for such Deliverable and will pay the State an additional sum equal to ten percent (10%) of such excess expenditure to cover the State's general expenses without the need to furnish proof in substantiation of such general expenses; or (iii)

terminate this Contract for default, either in whole or in part by notice to Contractor (and without the need to afford Contractor any further opportunity to cure). Notwithstanding the foregoing, the State shall not use, as a basis for exercising its termination rights under this Section, deficiencies discovered in a repeat State Review Period that could reasonably have been discovered during a prior State Review Period.

The State, at any time and in its own discretion, may halt the UAT or approval process if such process reveals deficiencies in or problems with a Deliverable in a sufficient quantity or of a sufficient severity as to make the continuation of such process unproductive or unworkable. In such case, the State may return the applicable Deliverable to Contractor for correction and re-delivery prior to resuming the review or UAT process and, in that event, Contractor will correct the deficiencies in such Deliverable in accordance with the Contract, as the case may be.

Approval in writing of a Deliverable by the State shall be provisional; that is, such approval shall not preclude the State from later identifying deficiencies in, and declining to accept, a subsequent Deliverable based on or which incorporates or inter-operates with an approved Deliverable, to the extent that the results of subsequent review or testing indicate the existence of deficiencies in the subsequent Deliverable, or if the Application of which the subsequent Deliverable is a component otherwise fails to be accepted pursuant to **Section 2.080**.

2.254   Process for Approval of Written Deliverables

The State Review Period for Written Deliverables will be the number of days set forth in the applicable Statement of Work following delivery of the final version of the Written Deliverable (failing which the State Review Period, by default, shall be five (5) Business Days for Written Deliverables of one hundred (100) pages or less and ten (10) Business Days for Written Deliverables of more than one hundred (100) pages). The duration of the State Review Periods will be doubled if the State has not had an opportunity to review an interim draft of the Written Deliverable prior to its submission to the State. The State agrees to notify Contractor in writing by the end of the State Review Period either stating that the Written Deliverable is approved in the form delivered by Contractor or describing any deficiencies that must be corrected prior to approval of the Written Deliverable (or at the State's election, subsequent to approval of the Written Deliverable). If the State delivers to Contractor a notice of deficiencies, Contractor will correct the described deficiencies and within five (5) Business Days resubmit the Deliverable in a form that shows all revisions made to the original version delivered to the State. Contractor's correction efforts will be made at no additional charge. Upon receipt of a corrected Written Deliverable from Contractor, the State will have a reasonable additional period of time, not to exceed the length of the original State Review Period, to review the corrected Written Deliverable to confirm that the identified deficiencies have been corrected.

2.255   Process for Approval of Custom Software Deliverables

The State will conduct UAT of each Custom Software Deliverable in accordance with the following procedures to determine whether it meets the criteria for State approval – i.e., whether it conforms to and performs in accordance with its specifications without material deficiencies.

Within thirty (30) days (or such other number of days as the parties may agree to in writing) prior to Contractor's delivery of any Custom Software Deliverable to the State for approval, Contractor shall provide to the State a set of proposed test plans, including test cases, scripts, data and expected outcomes, for the State's use (which the State may supplement in its own discretion) in conducting UAT of the Custom Software Deliverable. Contractor, upon request by the State, shall provide the State with reasonable assistance and support during the UAT process.

For the Custom Software Deliverables listed in an attachment, the State Review Period for conducting UAT will be as indicated in the attachment. For any other Custom Software Deliverables not listed in an attachment, the State Review Period shall be the number of days agreed in writing by the parties (failing which it shall be forty-five (45) days by default). The State Review Period for each Custom

Software Deliverable will begin when Contractor has delivered the Custom Software Deliverable to the State accompanied by the certification required by this **Section** and the State's inspection of the Deliverable has confirmed that all components of it have been delivered.

The State's UAT will consist of executing test scripts from the proposed testing submitted by Contractor, but may also include any additional testing deemed appropriate by the State. If the State determines during the UAT that the Custom Software Deliverable contains any deficiencies, the State will notify Contractor of the deficiency by making an entry in an incident reporting system available to both Contractor and the State. Contractor will modify promptly the Custom Software Deliverable to correct the reported deficiencies, conduct appropriate System Testing (including, where applicable, Regression Testing) to confirm the proper correction of the deficiencies and re-deliver the corrected version to the State for re-testing in UAT. Contractor will coordinate the re-delivery of corrected versions of Custom Software Deliverables with the State so as not to disrupt the State's UAT process. The State will promptly re-test the corrected version of the Software Deliverable after receiving it from Contractor.

Within three (3) business days after the end of the State Review Period, the State will give Contractor a written notice indicating the State's approval or rejection of the Custom Software Deliverable according to the criteria and process set out in this **Section**.

2.256 Final Acceptance

"Final Acceptance" shall be considered to occur when the Custom Software Deliverable to be delivered has been approved by the State and has been operating in production without any material deficiency for fourteen (14) consecutive days. If the State elects to defer putting a Custom Software Deliverable into live production for its own reasons, not based on concerns about outstanding material deficiencies in the Deliverable, the State shall nevertheless grant Final Acceptance of the Project.

2.260   Ownership

2.261 Ownership of Work Product by State

The State owns all Deliverables, as they are work made for hire by the Contractor for the State. The State owns all United States and international copyrights, trademarks, patents or other proprietary rights in the Deliverables.

2.262 Vesting of Rights

With the sole exception of any preexisting licensed works identified in the SOW, the Contractor assigns, and upon creation of each Deliverable automatically assigns, to the State, ownership of all United States and international copyrights, trademarks, patents, or other proprietary rights in each and every Deliverable, whether or not registered by the Contractor, insofar as any the Deliverable, by operation of law, may not be considered work made for hire by the Contractor for the State. From time to time upon the State's request, the Contractor must confirm the assignment by execution and delivery of the assignments, confirmations of assignment, or other written instruments as the State may request. The State may obtain and hold in its own name all copyright, trademark, and patent registrations and other evidence of rights that may be available for Deliverables.

2.263 Rights in Data

The State is the owner of all data made available by the State to the Contractor or its agents, Subcontractors or representatives under the Contract. The Contractor will not use the State's data for any purpose other than providing the Services, nor will any part of the State's data be disclosed, sold, assigned, leased or otherwise disposed of to the general public or to specific third parties or commercially exploited by or on behalf of the Contractor. No employees of the Contractor, other than those on a strictly need-to-know basis, have access to the State's data. Contractor will not possess or assert any lien or other right against the State's data. Without limiting the generality of this Section, the Contractor must only use personally identifiable information as strictly necessary to provide the

Services and must disclose the information only to its employees who have a strict need-to-know the information. The Contractor must comply at all times with all laws and regulations applicable to the personally identifiable information.

The State is the owner of all State-specific data under the Contract. The State may use the data provided by the Contractor for any purpose. The State will not possess or assert any lien or other right against the Contractor's data. Without limiting the generality of this Section, the State may use personally identifiable information only as strictly necessary to utilize the Services and must disclose the information only to its employees who have a strict need to know the information, except as provided by law. The State must comply at all times with all laws and regulations applicable to the personally identifiable information. Other material developed and provided to the State remains the State's sole and exclusive property.

2.264   Ownership of Materials

The State and the Contractor will continue to own their respective proprietary technologies developed before entering into the Contract. Any hardware bought through the Contractor by the State, and paid for by the State, will be owned by the State. Any software licensed through the Contractor and sold to the State, will be licensed directly to the State.

2.270   State Standards

2.271   Existing Technology Standards

The Contractor will adhere to all existing standards as described within the comprehensive listing of the State's existing technology standards at http://www.michigan.gov/dit.

2.272   Acceptable Use Policy

To the extent that Contractor has access to the State computer system, Contractor must comply with the State's Acceptable Use Policy, see http://www.michigan.gov/ditservice. All Contractor employees must be required, in writing, to agree to the State's Acceptable Use Policy before accessing the State system. The State reserves the right to terminate Contractor's access to the State system if a violation occurs.

2.273   Systems Changes

Contractor is not responsible for and not authorized to make changes to any State systems without written authorization from the Project Manager. Any changes Contractor makes to State systems with the State's approval must be done according to applicable State procedures, including security, access and configuration management procedures.

2.280   Extended Purchasing

2.281   MiDEAL (Michigan Delivery Extended Agreements Locally)

Public Act 431 of 1984 permits DMB to provide purchasing services to any city, village, county, township, school district, intermediate school district, non-profit hospital, institution of higher education, community, or junior college. A current listing of approved program members is available at: www.michigan.gov/buymichiganfirst. Unless otherwise stated, the Contractor must ensure that the non-state agency is an authorized purchaser before extending the Contract pricing.

The Contractor will supply Contract Services and equipment to these local governmental agencies at the established State of Michigan contract prices and terms to the extent applicable and where available. The Contractor must send its invoices to, and pay the local unit of government, on a direct and individual basis.

To the extent that authorized local units of government purchase quantities of Services and/or equipment under this Contract, the quantities of Services and/or equipment purchased will be included in determining the appropriate rate wherever tiered pricing based on quantity is provided.

Please Visit Mi DEAL at www.michigan.gov/buymichiganfirst under MiDeal.

Estimated requirements for authorized local units of government are not included in the quantities shown in this Contract.

2.282 State Employee Purchases

The State allows State employees to purchase from this Contract. Unless otherwise stated, it is the responsibility of the Contractor to ensure that the State employee is an authorized purchaser before extending the Contract pricing.

The Contractor will supply Contract Services and Deliverables at the established State of Michigan contract prices and terms to the extent applicable and where available. The Contractor must send its invoices to and pay the State employee on a direct and individual basis.

To the extent that authorized State employees purchase quantities of Services or Deliverables under this Contract, the quantities of Services and/or Deliverables purchased will be included in determining the appropriate rate wherever tiered pricing based on quantity is provided.

2.290   Environmental Provision

2.291 Environmental Provision

Energy Efficiency Purchasing Policy: The State seeks wherever possible to purchase energy efficient products. This includes giving preference to U.S. Environmental Protection Agency (EPA) certified 'Energy Star' products for any category of products for which EPA has established Energy Star certification. For other purchases, the State may include energy efficiency as one of the priority factors to consider when choosing among comparable products.

Environmental Purchasing Policy: The State of Michigan is committed to encouraging the use of products and services that impact the environment less than competing products. The State is accomplishing this by including environmental considerations in purchasing decisions, while remaining fiscally responsible, to promote practices that improve worker health, conserve natural resources, and prevent pollution. Environmental components that are to be considered include: recycled content and recyclables; energy efficiency; and the presence of undesirable materials in the products, especially those toxic chemicals which are persistent and bioaccumulative. The Contractor should be able to supply products containing recycled and environmentally preferable materials that meet performance requirements and is encouraged to offer such products throughout the duration of this Contract. Information on any relevant third party certification (such as Green Seal, Energy Star, etc.) should also be provided.

Hazardous Materials: For the purposes of this Section, "Hazardous Materials" is a generic term used to describe asbestos, ACBMs, PCBs, petroleum products, construction materials including paint thinners, solvents, gasoline, oil, and any other material the manufacture, use, treatment, storage, transportation or disposal of which is regulated by the federal, state or local laws governing the protection of the public health, natural resources or the environment. This includes, but is not limited to, materials the as batteries and circuit packs, and other materials that are regulated as (1) "Hazardous Materials" under the Hazardous Materials Transportation Act, (2) "chemical hazards" under the Occupational Safety and Health Administration standards, (3) "chemical substances or mixtures" under the Toxic Substances Control Act, (4) "pesticides" under the Federal Insecticide

Fungicide and Rodenticide Act, and (5) "hazardous wastes" as defined or listed under the Resource Conservation and Recovery Act.

(a) The Contractor must use, handle, store, dispose of, process, transport and transfer any material considered a Hazardous Material according to all federal, State and local laws. The State must provide a safe and suitable environment for performance of Contractor's Work. Before the commencement of Work, the State must advise the Contractor of the presence at the work site of any Hazardous Material to the extent that the State is aware of the Hazardous Material. If the Contractor encounters material reasonably believed to be a Hazardous Material and which may present a substantial danger, the Contractor must immediately stop all affected Work, notify the State in writing about the conditions encountered, and take appropriate health and safety precautions.

(b) Upon receipt of a written notice, the State will investigate the conditions. If (a) the material is a Hazardous Material that may present a substantial danger, and (b) the Hazardous Material was not brought to the site by the Contractor, or does not result in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Materials, the State must order a suspension of Work in writing. The State must proceed to have the Hazardous Material removed or rendered harmless. In the alternative, the State must terminate the affected Work for the State's convenience.

(c) Once the Hazardous Material has been removed or rendered harmless by the State, the Contractor must resume Work as directed in writing by the State. Any determination by the Michigan Department of Community Health or the Michigan Department of Environmental Quality that the Hazardous Material has either been removed or rendered harmless is binding upon the State and Contractor for the purposes of resuming the Work. If any incident with Hazardous Material results in delay not reasonable anticipatable under the circumstances and which is attributable to the State, the applicable SLAs for the affected Work will not be counted in a time as mutually agreed by the parties.

(d) If the Hazardous Material was brought to the site by the Contractor, or results in whole or in part from any violation by the Contractor of any laws covering the use, handling, storage, disposal of, processing, transport and transfer of Hazardous Material, or from any other act or omission within the control of the Contractor, the Contractor must bear its proportionate share of the delay and costs involved in cleaning up the site and removing and rendering harmless the Hazardous Material according to Applicable Laws to the condition approved by applicable regulatory agency(ies).

Labeling: Michigan has a Consumer Products Rule pertaining to labeling of certain products containing volatile organic compounds. For specific details visit
http://www.michigan.gov/deq/0,1607,7-135-3310_4108-173523--,00.html

Refrigeration and Air Conditioning: The Contractor shall comply with the applicable requirements of Sections 608 and 609 of the Clean Air Act (42 U.S.C. 7671g and 7671h) as each or both apply to this contract.

Environmental Performance: Waste Reduction Program - Contractor shall establish a program to promote cost-effective waste reduction in all operations and facilities covered by this contract. The Contractor's programs shall comply with applicable Federal, State, and local requirements, specifically including Section 6002 of the Resource Conservation and Recovery Act (42 U.S.C. 6962, et seq.).

2.300   Deliverables

2.301 Software
A list of the items of software the State is required to purchase for execution the Contract is attached. The list includes all software required to complete the Contract and make the Deliverables operable; if

any additional software is required in order for the Deliverables to meet the requirements of this Contract, such software shall be provided to the State by Contractor at no additional charge (except where agreed upon and specified in a Statement of Work or Contract Change Notice). The attachment also identifies certain items of software to be provided by the State.

2.302 Hardware

A list of the items of hardware the State is required to purchase for execution the Contract is attached. The list includes all hardware required to complete the Contract and make the Deliverables operable; if any additional hardware is required in order for the Deliverables to meet the requirements of this Contract, such hardware shall be provided to the State by Contractor at no additional charge (except where agreed upon and specified in a Contract Change Notice). The attachment also identifies certain items of hardware to be provided by the State.

2.303 Equipment to be New

If applicable, all equipment provided under this Contract by Contractor shall be new where Contractor has knowledge regarding whether the equipment is new or assembled from new or serviceable used parts that are like new in performance or has the option of selecting one or the other. Equipment that is assembled from new or serviceable used parts that are like new in performance is acceptable where Contractor does not have knowledge or the ability to select one or other, unless specifically agreed otherwise in writing by the State.

2.304 Equipment to be New and Prohibited Products

The State will not accept salvage, distressed, outdated or discontinued merchandise. Shipping of such merchandise to any State agency, as a result of an order placed against the Contract, shall be considered default by the Contractor of the terms and conditions of the Contract and may result in cancellation of the Contract by the State. The brand and product number offered for all items shall remain consistent for the term of the Contract, unless Purchasing Operations has approved a change order pursuant to **Section 2.024.**

2.310   Software Warranties

2.311   Performance Warranty

The Contractor represents and warrants that Deliverables, after Final Acceptance, will perform and operate in compliance with the requirements and other standards of performance contained in this Contract (including all descriptions, specifications and drawings made a part of the Contract) for a period of (90) ninety days. In the event of a breach of this warranty, Contractor will promptly correct the affected Deliverable(s) at no charge to the State.

2.312   No Surreptitious Code Warranty

The Contractor represents and warrants that no copy of licensed Software provided to the State contains or will contain any Self-Help Code or any Unauthorized Code as defined below. This warranty is referred to in this Contract as the "No Surreptitious Code Warranty."

As used in this Contract, "Self-Help Code" means any back door, time bomb, drop dead device, or other software routine designed to disable a computer program automatically with the passage of time or under the positive control of a person other than the licensee of the software. Self-Help Code does not include Software routines in a computer program, if any, designed to permit an owner of the computer program (or other person acting by authority of the owner) to obtain access to a licensee's computer system(s) (e.g. remote access via modem) for purposes of maintenance or technical support.

As used in this Contract, "Unauthorized Code" means any virus, Trojan horse, spyware, worm or other Software routines or components designed to permit unauthorized access to disable, erase, or otherwise harm software, equipment, or data; or to perform any other such actions. The term Unauthorized Code does not include Self-Help Code. Unauthorized Code does not include Software routines in a computer program, if any, designed to permit an owner of the computer program (or other person acting by authority of the owner) to obtain access to a licensee's computer system(s) (e.g. remote access via modem) for purposes of maintenance or technical support.

In addition, Contractor will use up-to-date commercial virus detection software to detect and remove any viruses from any software prior to delivering it to the State.

2.313   Calendar Warranty

The Contractor represents and warrants that all software for which the Contractor either sells or licenses to the State of Michigan and used by the State prior to, during or after the calendar year 2000, includes or shall include, at no added cost to the State, design and performance so the State shall not experience software abnormality and/or the generation of incorrect results from the software, due to date oriented processing, in the operation of the business of the State of Michigan.

The software design, to insure calendar year rollover compatibility, shall include, but is not limited to: data structures (databases, data files, etc.) that provide 4-digit date century; stored data that contain date century recognition, including, but not limited to, data stored in databases and hardware device internal system dates; calculations and program logic (e.g., sort algorithms, calendar generation, event recognition, and all processing actions that use or produce date values) that accommodates same century and multi-century formulas and date values; interfaces that supply data to and receive data from other systems or organizations that prevent non-compliant dates and data from entering any State system; user interfaces (i.e., screens, reports, etc.) that accurately show 4 digit years; and assurance that the year 2000 shall be correctly treated as a leap year within all calculation and calendar logic.

2.314   Third-party Software Warranty

The Contractor represents and warrants that it will disclose the use or incorporation of any third-party software into the Deliverables. At the time of Delivery, the Contractor shall provide in writing the name and use of any Third-party Software, including information regarding the Contractor's authorization to

include and utilize such software. The notice shall include a copy of any ownership agreement or license that authorizes the Contractor to use the Third-party Software.

2.315 Physical Media Warranty

Contractor represents and warrants that each licensed copy of the Software provided by the Contractor is free from physical defects in the media that tangibly embodies the copy. This warranty does not apply to defects discovered more than (30) thirty days after that date of Final Acceptance of the Software by the State. This warranty does not apply to defects arising from acts of Excusable Failure. If the Contractor breaches this warranty, then the State shall be entitled to replacement of the non-compliant copy by Contractor, at Contractor's expense (including shipping and handling).

2.320   Software Licensing

2.321 Cross-License, Deliverables Only, License to Contractor

The State grants to the Contractor, the royalty-free, world-wide, non-exclusive right and license under any Deliverable now or in the future owned by the State, or with respect to which the State has a right to grant such rights or licenses, to the extent required by the Contractor to market the Deliverables and exercise its full rights in the Deliverables, including, without limitation, the right to make, use and sell products and services based on or incorporating such Deliverables.

2.322 Cross-License, Deliverables and Derivative Work, License to Contractor

The State grants to the Contractor, the royalty-free, world-wide, non-exclusive right and license under any Deliverable and/or Derivative Work now or in the future owned by the State, or with respect to which the State has a right to grant such rights or licenses, to the extent required by the Contractor to market the Deliverables and/or Derivative Work and exercise its full rights in the Deliverables and/or Derivative Work, including, without limitation, the right to make, use and sell products and services based on or incorporating such Deliverables and/or Derivative Work.

2.323 License Back to the State

Unless otherwise specifically agreed to by the State, before initiating the preparation of any Deliverable that is a Derivative of a preexisting work, the Contractor shall cause the State to have and obtain the irrevocable, nonexclusive, worldwide, royalty-free right and license to (1) use, execute, reproduce, display, perform, distribute internally or externally, sell copies of, and prepare Derivative Works based upon all preexisting works and Derivative Works thereof, and (2) authorize or sublicense others from time to time to do any or all of the foregoing.

2.324 License Retained by Contractor

Contractor grants to the State a non-exclusive, royalty-free, site-wide, irrevocable, transferable license to use the Software and related documentation according to the terms and conditions of this Contract. For the purposes of this license, "site-wide" includes any State of Michigan office regardless of its physical location.

The State may modify the Software and may combine such with other programs or materials to form a derivative work. The State will own and hold all copyright, trademarks, patent and other intellectual property rights in any derivative work, excluding any rights or interest in Software other than those granted in this Contract.

The State may copy each item of Software to multiple hard drives or networks unless otherwise agreed by the parties.

The State will make and maintain no more than one archival copy of each item of Software, and each copy will contain all legends and notices and will be subject to the same conditions and restrictions as the original. The State may also make copies of the Software in the course of routine backups of hard drive(s) for the purpose of recovery of hard drive contents.

In the event that the Contractor shall, for any reason, cease to conduct business, or cease to support the Software, the State shall have the right to convert these licenses into perpetual licenses, with rights of quiet enjoyment, but subject to payment obligations not to exceed the then current rates.

2.325 Pre-existing Materials for Custom Software Deliverables

Neither Contractor nor any of its Subcontractors shall incorporate, except as pre-approved on an individual and case-by-case basis and formally signed-off by the SOM, any preexisting materials (including Open Source and Standard Software) into Custom Software Deliverables or use any pre-existing materials to produce Custom Software Deliverables if such pre-existing materials will be needed by the State in order to use the Custom Software Deliverables.

2.330   Source Code Escrow

2.331 Definition

"Source Code Escrow Package" shall mean:
(a) A complete copy in machine-readable form of the source code and executable code of the Licensed Software, including any updates or new releases of the product;
(b) A complete copy of any existing design documentation and user documentation, including any updates or revisions; and/or
(c) Complete instructions for compiling and linking every part of the source code into executable code for purposes of enabling verification of the completeness of the source code as provided below. Such instructions shall include precise identification of all compilers, library packages, and linkers used to generate executable code.

2.332 Delivery of Source Code into Escrow

The State and Contractor shall mutually agree that the Contractor deliver a Source Code Escrow Package to the Escrow Agent, pursuant to the Escrow Contract, which shall be entered into on commercially reasonable terms subject to the provisions of this Contract as determined by the State but not less than eighteen (18) months after the execution of this Contract.

2.333 Delivery of New Source Code into Escrow

If at anytime during the term of this Contract, the Contractor provides a maintenance release or upgrade version of the Licensed Software, Contractor shall within ten (10) days deposit with the Escrow Agent, in accordance with the Escrow Contract, a Source Code Escrow Package for the maintenance release or upgrade version, and provide the State with notice of the delivery.

2.334 Verification

The State reserves the right at any time, but not more than once a year, either itself or through a third party contractor, upon thirty (30) days written notice, to seek verification of the Source Code Escrow Package.

2.335 Escrow Fees

The Contractor will pay all fees and expenses charged by the Escrow Agent.

2.336 Release Events

The Source Code Escrow Package may be released from escrow to the State, temporarily or permanently, upon the occurrence of one or more of the following:
(a) The Contractor becomes insolvent, makes a general assignment for the benefit of creditors, files a voluntary petition of bankruptcy, suffers or permits the appointment of a receiver for its business or assets, becomes subject to any proceeding under bankruptcy or insolvency law, whether domestic or foreign;
(b) The Contractor has wound up or liquidated its business voluntarily or otherwise and the State has reason to believe that such events will cause the Contractor to fail to meet its warranties and maintenance obligations in the foreseeable future;

(c)   The Contractor voluntarily or otherwise discontinues support of the provided products or fails to support the products in accordance with its maintenance obligations and warranties.

2.337   Release Event Procedures

If the State desires to obtain the Source Code Escrow Package from the Escrow Agent upon the occurrence of an Event in this **Section**, then:
(a)   The State shall comply with all procedures in the Escrow Contract;
(b)   The State shall maintain all materials and information comprising the Source Code Escrow Package in confidence in accordance with this Contract;
(c)   If the release is a temporary one, then the State shall promptly return all released materials to Contractor when the circumstances leading to the release are no longer in effect.

2.338   License

Upon release from the Escrow Agent pursuant to an event described in this **Section**, the Contractor automatically grants the State a non-exclusive, irrevocable license to use, reproduce, modify, maintain, support, update, have made, and create Derivative Works. Further, the State shall have the right to use the Source Code Escrow Package in order to maintain and support the Licensed Software so that it can be used by the State as set forth in this Contract.

2.339   Derivative Works

Any Derivative Works to the source code released from escrow that are made by or on behalf of the State shall be the sole property of the State. The State acknowledges that its ownership rights are limited solely to the Derivative Works and do not include any ownership rights in the underlying source code.

Attachment 6

Pricing Tables

Summary Cost Table

Item	Cost	Description
ALiS Enterprise License	$475,000	One enterprise license for use within the State of Michigan
Configuration Fee	$200,000	All configuration and customization services necessary to meet the functional and technical requirement as described in RFP DC-071I9200265
Source Code Fee	$100,000	Optional one time fee to purchase ALiS source code for use by the State of Michigan.
500 Reserve Bank Hours per Year (2500 hours over 5 years)	$33,250/year	Optional for the reserve bank of hours; allocated on separate Statements of Works. (Ref. Contract 1.104.E)
Interfaces	$46,280	Fee for interface development

On-Going Support Cost; will be prorated for State of Michigan Fiscal Years

Maintenance	$125,000/year	Annual fee for maintenance and support (includes COTS/App updates) (pro rated annually based upon module production schedule)
Hosting	$100,000/year	Annual hosting fee for the system (pro rated annually based upon module production schedule)
Tier Two Support	$175,000	Annual fee to meet all Service Level Agreements while delivering Tier Two Support services via both email and telephone. (Ref. Attachment 3)

Payment Schedule

License Fee			10% Holdback	Payment
50% at contract signing		$237,500	$23,750	$213,750
Upon acceptance of Pre-licensing/Education Module		$59,375	$5,938	$53,438
Upon acceptance of Company Module		$59,375	$5,938	$53,438
Upon acceptance of Licensing Module		$59,375	$5,938	$53,438
Upon acceptance of Investigations Module		$59,375	$5,938	$53,438
	Total	$475,000	$47,500	$427,500
Configuration Fee (Each module to be billed separately based upon below stated percentages) 50% total upon delivery/configuration of modules (12.5% each module)		$100,000	$10,000	$90,000
50% total upon acceptance of modules (12.5% each module)		$100,000	$10,000	$90,000
	Total	$200,000	$20,000	$180,000
Interfaces				
100% upon final acceptance		$46,280	$4,628	$41,652
	Total	$46,280	$4,628	$41,652
Total Holdback payable as defined in Section 1.602, and payable upon Final Acceptance, as defined in Section 1.502.			$72,128	

The term acceptance, as used above, shall be defined as user acceptance testing of a delivery and is ready to be put into production

OFIR - System Interfaces Cost Table

Entity		Database	Req. #	Function	Type	Frequency / Time	Development Cost
NAIC / NIPR	1	SPLD / PDB	152	Populate tables with requests to add new or cancel existing insurance company appointments, then run procedures to process these requests. **(Existing)**	XML pull	Every three hours from 7:00 am to 10:00 pm.	$0.00
	2	SPLD / PDB	154	Create and send XML files with the results of processing requests to add new or cancel existing appointments. **(Existing)**	XML push	Every three hours from 7:00 am to 10:00 pm.	$0.00
	3	CDS	353	Create and send text files containing information on closed insurance industry complaints. **(Existing)**	Text push	Daily	$2,080.00
	4	SAD / RIRS	379	Create and send text files containing information on closed insurance industry enforcement actions.	Text push	Daily	$2,080.00
	5	SAD / RIRS	153	The system shall provide an interface to RIRS/SAD information. Contact NIPR for API information.	Interactive	On demand.	$0.00
	6	PDB	150	Create and send text files containing name, demographic and licensing information on individual licensees and agencies operating in Michigan. **(Existing)**	Text push	Daily	$0.00
	7	PDB	151	Read text file generated by NIPR system and update National Producer Number field for individual licensees and agencies. **(Existing)**	Text pull	Daily	$0.00

Entity		Database	Req. #	Function	Type	Frequency / Time	Development Cost
	8	SPLD / PDB	152	Populate tables with requests to update individual licensee address information then run procedures to process the requests. **(Existing)**	XML pull	Every three hours from 7:00 am to 10:00 pm.	$0.00
	9	SPLD / PDB	154	Create and send XML files with the results of processing requests to update individual licensee address information. **(Existing)**	XML push	Every three hours from 7:00 am to 10:00 pm.	$0.00
	10	SPLD / PDB	152	Populate tables with requests from individual licensees and agencies to obtain new licenses or expand current authority then run procedures to process these requests. **(Existing)**	XML pull	Every three hours from 7:00 am to 10:00 pm.	$0.00
	11	SPLD / PDB	154	Create and send XML files with the results of processing requests from individual licensees and agencies to obtain new licenses or expand current authority. **(Existing)**	XML push	Every three hours from 7:00 am to 10:00 pm.	$0.00
	12	OLTPSPLP	58	Read text file generated by NIPR and update application request and address request records with payment information. **(Existing)**	Text pull	Daily	$0.00
	13	ETS	200, 202	The system shall have the ability to interface with the NAIC's Examination Tracking System database (ETS) for national Market Conduct exam activity information and to communicate OFIR conducted Market Conduct exam information.	Push and pull	On demand	$4,160.00

Entity		Database	Req. #	Function	Type	Frequency / Time	Development Cost
	14	ETS	267	Create and send text files and send pdf files containing information on financial examinations performed by OFIR.	Text push / SFTP transfer	Daily	$3,640.00
	15	DSSPROD	322	Upload financial data from the NAIC financial data warehouse. **(Existing)**	Direct pull from database	Once a year	$6,240.00
Prometric	16	Unknown	149	Provide a method for testing vendor, currently Prometric, to populate the system with licensing examination results. **(Existing)**	Currently table access by Prometric	Daily	$7,800.00
Michigan Department of Management and Budget	17	M.A.I.N.	274, 319, 393	Create and send batch payment files to the State of Michigan's Department of Management and Budget (DMB) general ledger Michigan Administrative Information Network (M.A.I.N.).	Unknown	Unknown	$4,680.00
Michigan Department of Treasury	18	CEPAS	311	Accept online payments using the State's online, centralized electronic payment and authorization system (CEPAS). CEPAS is the State standard for accepting payments and can be accessed via a standard API interface. If an exception waiver is requested describe, in the response to the functional requirements, your current method of accepting payments as a recommended alternative to CEPAS.	Unknown	On Demand	$5,200.00
DELEG	19	CORPS	145	Interface with the CORPS database to validate information, such as corporate status and DBA/Alias names.	Unknown	On demand.	$2,080.00

Entity		Database	Req. #	Function	Type	Frequency / Time	Development Cost
	20	C3	321	Read text file generated by Central Cashiering Center and update invoice records. **(Existing)**	Text pull	On demand	$1,560.00
	21	SOAHR	381	Read text file generated by the Office of Administrative Hearings and Rules (SOAHR) system and update contested case information.	Text pull	Unknown	$1,560.00
Vendor from this RFP	22	OBase	59, 354, 380	Provide a method for data to be brought into SOM domain for posting to the OFIR web database, the MB One Stop database and used for other internal processing.	Unknown	Daily	$5,200.00
						Total	$46,280.00

OFIR IS Labor Rates Table

ID	Rated Structure	Unit	Unit Rate
H.1.1	Project Manager - on site	Per day	$960
H.1.2	Project Manager - off site	Per hour	$85
H.2.1	Technical Lead - on site	Per day	$760
H.2.2	Technical Lead - off site	Per hour	$75
H.3.1	Data Migration Specialist - on site	Per day	$600
H.3.2	Data Migration Specialist - off site	Per hour	$60
H.4.1	Custom Programmer - on site	Per day	$560
H.4.2	Custom Programmer - off site	Per hour	$65
H.5.1	Administrator/End User Trainer - on site	Per day	$1,000
H.5.2	Administrator/End User Trainer - off site	Per hour	$100
H.7.1	Technical Trainer - on site	Per day	$800
H.7.2	Technical Trainer - off site	Per hour	$80
H.8	Marketing Specialist - on site	Per day	$1,400
H.9	Marketing Specialist - off site	Per hour	$150

ATTACHMENT 1
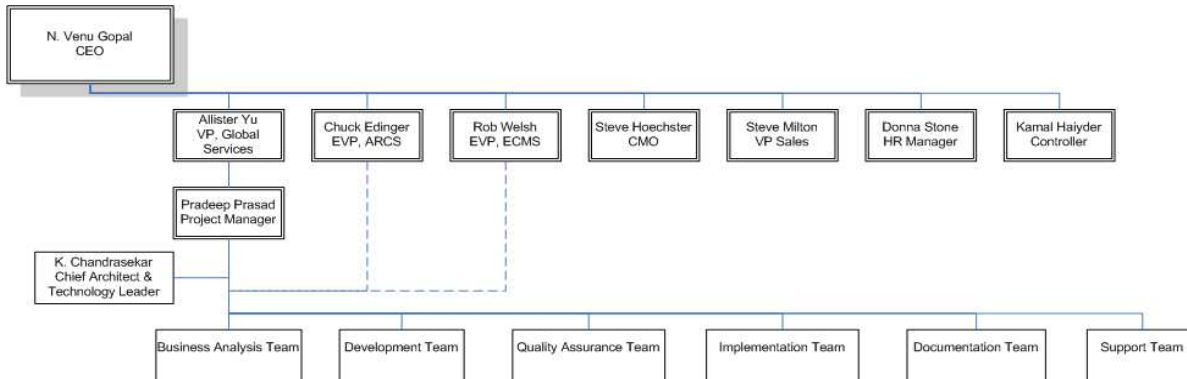
Aithent Organization Structure

Figure 3: Aithent Organization Chart

Aithent Project Management Approach

Aithent's proposed approach is based on the industry leading Unified Process and PMI's PMBOK methodology. To maintain the consistency and integrity of the proposed development plan and to incorporate users' constant feedback, we recommend maintaining only one copy of the Project Plan throughout the project lifecycle. Should the Agency ask for an intermediate report on project deliverables, we suggest providing the same at the logical end of each respective phase. The following are the activities that will be carried out in each sub-phase of the implementation of the online licensing system for OFIR:

Startup Phase

♦ Initiate the project kickoff

♦ Mobilize the onsite and offsite Project Teams

♦ Understand requirements of the phase and reach an agreement and commitment on the phase outputs

♦ Carryout Project(s) estimation and recommend timelines / delivery schedules

♦ Develop the Project Management Plan (PMP) and obtain approval from the Agency. In addition to describing the normal requirements analysis methodology and Project Execution Plan, the PMP would also talk about the following:

- Project organization including team structure, external interfaces and responsibilities
- Tailoring decisions and deviations
- Project's defined software process including those for business modeling, requirements management, design, standards to be used
- Plans for implementation, testing, deployment and maintenance
- Management pPlan, estimates and communication plan
- Resource management plan
- Quantitative process management plan
- Document management plan
- Quality assurance plan
- Configuration management plan including change management
- Risks management plan
- Status reporting

Discover Phase

♦ Gather and analyze detailed inputs on Business Requirements, Specifications, and Objectives and document them with use-case models.

♦ Review Agency's existing Information Technology plans to understand the latest accomplishments and work-in-progress activities.

♦ Identify key business functions for each of the business areas.

♦ Understand key strategic directions to meet the Agency's business requirements.

♦ Identify and understand the project priorities.

♦ Assess the current information technology infrastructure in the Agency's Information and Technology Division and the various applications, data and technologies in use in order to maximize reuse of the Agency's existing infrastructure.

♦ Present findings to Agency management.

Design Phase

♦ Develop GUI/HTML prototypes of the proposed system

♦ Plan out a technology architecture

♦ Design the application architecture

♦ Propose a high level database architecture

♦ Present design recommendations to Agency management

Develop Phase

It is understood that the current scope of the project will be limited to implementing a hosted online insurance licensing solution that meets the OFIR's stated requirements, as described in the RFP #DC-07I9200265.

♦ Configure the Aithent Licensing System and conduct data migration

♦ Identify the gaps and custom development requirements

♦ Develop a deployment and implementation plan

♦ Make a detailed prresentation of recommendations to Agency management

Deploy Phase

♦ Test and implement the configured ALiS system complemented with custom-developed features

♦ Integrate ALiS system with OFIR's existing environment and interfaces

♦ Make a final presentation to Agency management

♦ User acceptance test (UAT) sign-off

Project Management Structure

Figure 4: Project Team Structure illustrates the project team structure. A project team will be assigned once the project has been awarded.
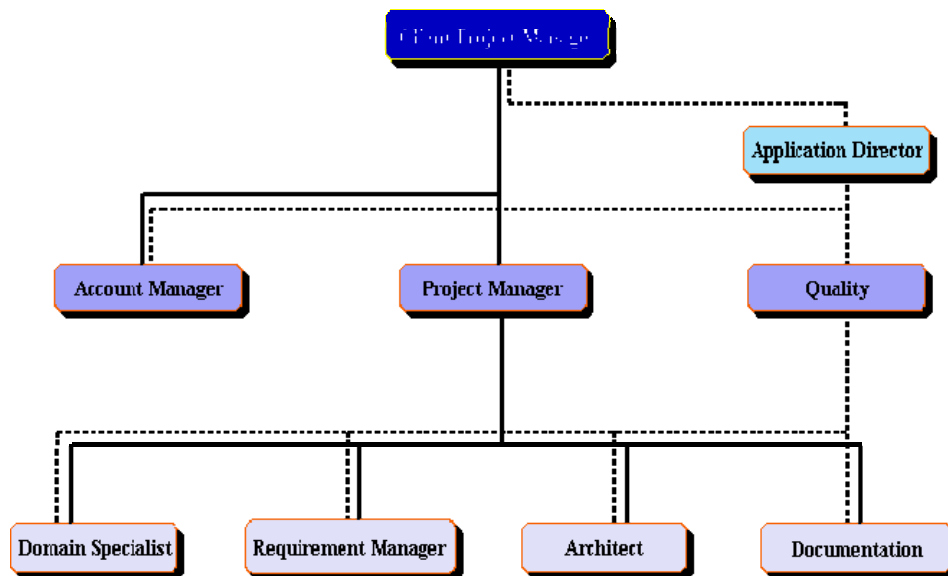

Figure 4: Project Team Structure

Project Management Methodology

Aithent has successfully used its aggressive program management approach in most of its engagements. This approach includes: formal, regularly scheduled program reviews with the client, and measurable milestones of performance. Aithent brings not only technical expertise but also intimate knowledge and experience in relevant areas of systems development.

Project Monitoring and Tracking

Aithent has a Wweb-based application for project planning, monitoring and tracking. It includes tools for project activity planning and tracking, resource management, risk management, bulletin board, action items and change request management.
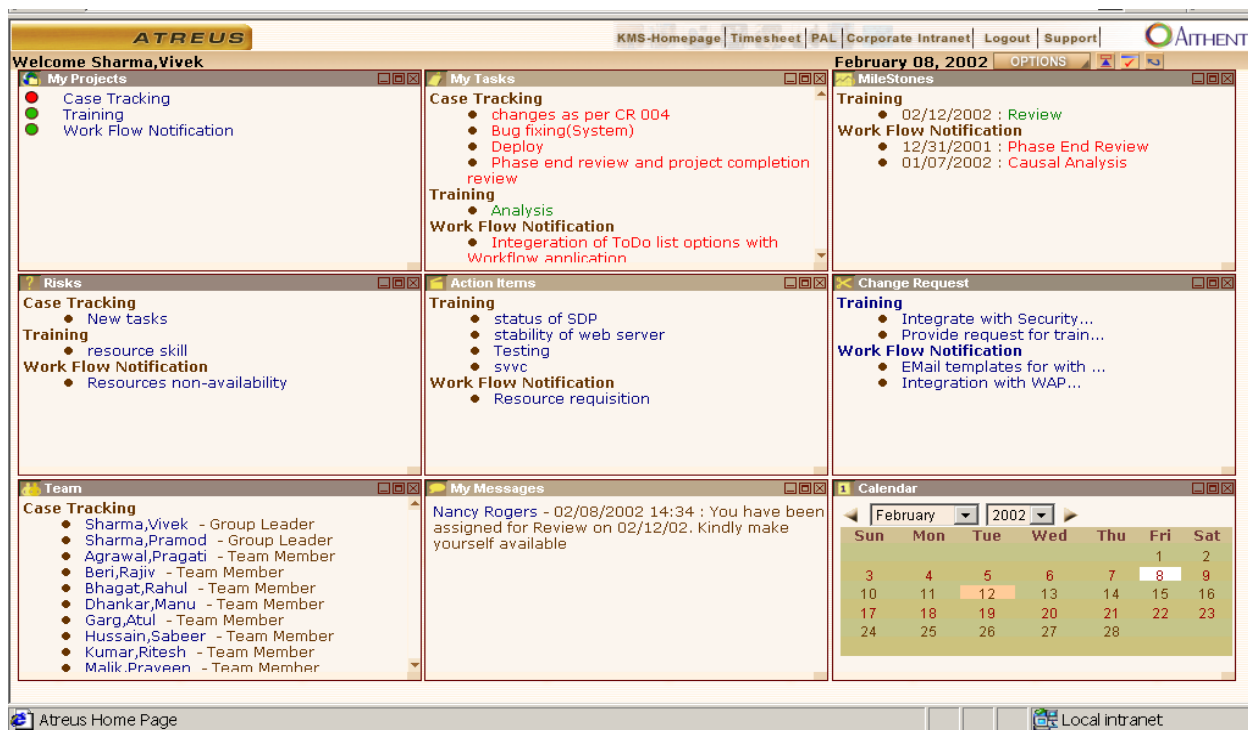
Figure 5: Aithent's Project Tracking Application

Aithent's project tracking application is shown in Figure 5. The screen shown in Figure 6 allows Aithent Managers to create a project and allocate resources to it. Various activities can be scheduled and assigned to resources allocated to the project.

Figure 6: Planning & Tracking Tool Screen

100

The actual time spent by a resource is logged in the System as shown in Figure 7. This enables Aithent to capture planned and actual efforts against the scheduled activities of the project.

Figure 7: Productivity Tracking System Screen

The Project Management Office (PMO) is responsible for monitoring and reviewing the projects. MIS reports to be presented to the PMO are filled as shown in Figure 8. The risks, issues and action items are also logged.

Figure 8:

PMO Status Screen

PMO reviews the project and tracks its performance as shown in Figure 9. PMO members can make recommendations and create action items for expediting the works.

Figure 9: PMO Review Screen

Change Management

Change management is one of the key activities for obtaining commitments from various stakeholders. Often requirements captured and agreed to undergo changes during the lifetime of a project. Changes can be initiated internally as well as externally. Any intended change to the requirements is logged into the system using Aithent's indigenously-built Web-based change management tool, 'Response,' shown in Figure 10 below. It is evaluated and analyzed for the impact on the project. It is also tracked to closure by the configuration controller.

Figure 10: Change Management Screen

Project Management Reporting

Aithent will schedule formal and informal review meetings with the Agency to inform of the progress of the project and to get required input and feedback from the Agency and other stakeholders. Our focus is to ensure that the Agency maintains a good understanding of project progress throughout its lifecycle.

To achieve that we will schedule and hold monthly program review meetings with the Agency's senior management; with participation from our account management and senior project management by way of conference call. The meetings serve as a vehicle for Aithent to provide project status and to arrive at collective decisions regarding steps that need to be taken on the project in the following month. Should senior management facilitation be required on the project, it will be requested at these meetings.

Attachment 2

This document is saved separately.

ATTACHMENT 3
Service Level Agreement Requirements

Contractors will establish Service Level Agreements (SLAs) with the State. The SLAs will specify:
- minimum acceptable requirements for system uptime and availability,
- system responsiveness,
- number and expertise of technical support staff,
- back-up schedules,
- software updates,
- system monitoring and maintenance,
- responsiveness of technical support staff when problems are encountered (including help desk response time, time to answer, time to resolution, time to escalation, etc.)
- problem management and escalation procedures,

Contractors must respond to the following anticipated Service Level Requirements:

Requirement 1	Insurance Regulatory System Availability
Description	The primary Insurance Regulatory system shall be available 24 hours a day, every day of the year with no more than 1.0% down time during any one-week period based on a schedule of 24 (twenty-four) hours/7 (seven) days a week. Scheduled maintenance not included.
Measurement	Accessible hours 7X24, less scheduled outages as agreed by State. Total accessible hours divided by total hours in measurement period, excluding force majeure as defined in Article 2, Terms and Conditions.
Target Performance	100% compliance with target service level
Period of Review	Monthly
Insert Contractor response here: Aithent is committed & capable to maintain the system availability as per the SLA requirements.	

Requirement 2	Failure of Insurance Regulatory System
Description	The Mean Time Between Failures for the primary Insurance Regulatory system shall exceed 500 hours.
Measurement	Accessible hours 7X24, less scheduled outages as agreed by State. Measurement of total time between failures over the time period, excluding force majeure as defined in Article 2, Terms and Conditions.
Target Performance	100% compliance with target service level.
Period of Review	Monthly
Insert Contractor response here: Aithent will maintain the MTBF > 500 hours as per the SLA requirements.	

Requirement 3	Support Response/Resolution
Description	Once operational, **Contractor will respond to calls for system support as follows:** **Critical** (System outage) – Contractor response within 30 minutes, plan of action within 1 hour, resolved within 2 hours. **High** (Major modules down, some services available) Contractor response within 2 hours, resolved within 8 hours. **Moderate** (Majority of application is up, some services down) Contractor response within 4 hours, resolved within 24 hours.

	Low (Limited problem with no major disruptive ramifications) Contractor response by next day, resolved within 48 hours.
Measurement	Total number of trouble tickets closed within the severity level time frame divided by total number of tickets closed.
Target Performance	99% compliance with target service level.
Period of Review	Monthly
Insert Contractor response here: As per the Incident Response Policy & Procedures, the system support calls are classified and the severity level is defined & accordingly responded & resolved as per the SLA requirements.	

Requirement 4	**Telephone Support**
Description	The Contractor shall provide telephone technical support on a 24x7 basis for all applications procured as a result of this contract with 90% of calls answered < 60 seconds by live person.
Measurement	Number of calls answered / total calls.
Target Performance	99% compliance with target service level.
Period of Review	Monthly
Insert Contractor response here: Aithent will provide Telephone Support on 24X7 basis in compliance with the above SLA requirements.	

Requirement 5	**Access Control**
Description	The Contractor shall limit information system access, both physical and through application, to authorized users, processes acting on behalf of authorized users, or devices (including other information systems) and to the types of transactions and functions that authorized users are permitted to exercise. This may be supplemented via risk awareness training and/or through security controls.
Measurement	Security Disclosure and Acceptable Use Agreements for all employees and third-party individuals, with access to SOM assets, are to be signed, maintained and reviewed on a yearly basis.
Target Performance	100% compliance with target service level.
Period of Review	Annually
Insert Contractor response here: As per the Access Control policy, Aithent is capable of providing access control in compliance with the above SLA requirements.	

Requirement 6	**Continuity Planning**
Description	The Contractor must establish, maintain, and effectively implement plans for emergency response, backup operations, database restores, and post-disaster recovery for organizational information systems to ensure the availability of critical information resources and continuity of operations in emergency situations.
Measurement	Test the contingency plan at least annually and initiate necessary corrective actions.
Target Performance	100% compliance with target service level.
Period of Review	Annually
Insert Contractor response here: Aithent has contingency plans that meet the need.	

Requirement 7	Incident Response
Description	The Contractor must: (i) establish an operational incident handling capability for organizational information systems that includes adequate preparation, detection, analysis, containment, recovery, and user response activities; and (ii) track, document, and report incidents to appropriate organizational officials and/or authorities. In the case of a Data Breach, the State of Michigan must be notified immediately upon discovery of a breach which involves SOM information. Continuing investigations conducted by the Contractor are to be summarized and outcomes reported in writing and by email to the Contract Compliance Inspector within 5 working days of a security breach involving SOM data being discovered.
Measurement	Test the response plan at least annually and initiate necessary corrective actions.
Target Performance	100% compliance with target service level.
Period of Review	Annually
Insert Contractor response here: Aithent has well defined Incident Response Policy & Procedures to meet the above mentioned SLA requirements.	

Requirement 8	Maintenance
Description	The Contractor must: (i) perform periodic and timely maintenance on organizational information systems; and (ii) provide effective controls on the tools, techniques, mechanisms, and personnel used to conduct information system maintenance.
Measurement	Provide monthly reports to the State that depict system performance, availability, and utilization (processor, memory and disk, etc.) and utilization trends, along with written recommendations as to whether system configuration changes or upgrades are required or not.
Target Performance	100% compliance with target service level.
Period of Review	Annually
Insert Contractor response here: Aithent performs maintenance activities that meet this need.	

ATTACHMENT 4

This document is saved separately.

ATTACHMENT 5

Contractor Response

Contractor has completed the matrix below to document the extent of the technical features of the proposed solution. The **Required/Optional** column contains a value (R/O), indicating whether a requirement is required or optional.

- **REQUIRED**: These items must be addressed by selecting one of columns 1 to 5. A number of technical requirements are **Required**.

- **OPTIONAL or EMPTY:** The SOM interprets this to mean that the feature is desirable but that if the feature is not present it will not disqualify the bidder from consideration.

The Contractor has responded to all Required requirements in order to qualify.

The Contractor has responded as to whether or not their proposed solution complies with each requirement as follows:

a. **Check the box that applies to each requirement in the columns labeled: In the comment box the Contraactor has described how their proposed solution complies with the requirement. If applicable, screen shots may be provided to show this functionality and included as an Attachment or part of the Comment.**

- **Included in Base – Out of the Box (OOTB) (1):** Software/Solution supports the requirement without any changes required. Moreover, the supporting software is native to the solution without requiring a 3rd party product or plug-in. Solution parameters which can be changed via a solution interface are not configurable items – these are base supported elements.

- **Configurable (2):** Software/Solution supports the requirement by changing configuration settings to prepare the product to meet Michigan Identity Management requirements. For example, a user-changeable replication rule would indicate that the solution is "Configurable." "Configurable" means rules changes or data driven items beyond simple parameters will support the feature.

- **Integrated 3rd Party Product (3):** Software/Solution supports the requirement with a 3rd party component that is integrated with the solution. Integrated means that access to the feature is direct through the Bidder's solution and no modification would be required to use this solution in Michigan.

- **Modifiable (4):** Software/Solution supports the requirement by modifications to the baseline software code or scripting.

- **Not Supported (5):** Software/Solution does not support the requirement, and may not be modified or expanded to meet the requirement during this project.

   A "solution" is defined as a collection of software residing on servers which provide and control access to data, processes and events.

   NOTE:
   If the proposed solution requires modifications or customizations to the baseline software itemize costs in the Price Cost Table as part of this contract. (Attachment 6)

Technical Requirements for the OFIR Insurance Regulatory phase will identify what the solution or product must run on, or integrate with, including any standards that must be met, security requirements, and interfaces. These requirements will also identify the general framework in which the solution or product must work, such as: capacity requirements (e.g., number of users, concurrent users, number of transactions that can be handled, peak usage), documentation, audit, and backup and recovery.

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
1. Access Control (AC)								
Organizations must limit information system access to authorized users, processes acting on behalf of authorized users, or devices (including other information systems) and to the types of transactions and functions that authorized users are permitted to exercise.								
a. Access Control Policy & Procedure documented, reviewed and updated (AC-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	**R**	√						
Comment: The system implements role based authorization. Role based access control restricts system access to authorized users. The permissions to perform transactions and functions are assigned to specific roles. **Users are not assigned permissions directly, but only acquire them through their roles. Management of individual user rights is done by the Administrator by assigning them to appropriate roles.**								
b. Management of accounts (AC-2)	**R**	√						
Comment: A GUI tool exists in the system that allows Administrator to maintain users, roles, groups, functions and define relationships. A user can belong to one or more roles. A role can be associated with one or more functions in the system.								
c. Comply with MDIT and Contractor policies and procedures	**R**	√						
Comment: Aithent is committed to comply with MDIT and Contractor policies and procedures.								
d. A unique user ID and password is required for access (AC-3)	**R**	√						
Comment: The system implements strong authentication. Only authenticated users can access the system.								
e. Tighten default settings to prevent unauthorized access		√	√					
Comment: The system implements strong policies for passwords stored in database and account lockout. In addition, default settings of authentication for network access, web server, database etc. can be configured for enhanced security.								
f. Disable inactive accounts		√						
Comment: The Administrator can mark specific user accounts as 'Inactive'. Records of such users continue to exist in the database but inactive users cannot log on to the system. Administrator can reactivate an inactive account.								
g. Terminate temporary and emergency accounts		√			√			
Comment: Currently the system does not distinguish between active accounts and temporary/emergency accounts. The Administrator can mark specific user accounts as 'Deleted'. Deleted user accounts cannot be reactivated. **The requirement to distinguish the temporary/emergency accounts with the active accounts and the associated business rules needs to be analyzed and implemented in the system.**								
h. The system automatically locks an account until released by an administrator when five unsuccessful attempts is exceeded (AC-7)	**R**	√	√					
Comment: The system locks an account after 'N' consecutive unsuccessful attempts. 'N' can be configured to 5 in the application configuration file.								
i. System displays an approved message of use restrictions before granting access. (AC-8)	**R**	√						
Comment: SOM approved end user usage agreement will be displayed to the user. The user must agree to the agreement prior to accessing the system.								
j. Role based access controls must be applied to databases, applications, or computer hosts that contain protected information. (AC-4)	**R**	√						

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
Comment: The access of database objects is granted to appropriate database roles. **Computer- based access security defines not only who or what process has access to a specific system resource, but also the type of access that is permitted.**								
k. Separation of Duties through assigned access authorizations. (AC-5)	**R**	√						
Comment: The system implements role based authorization.								
l. Initiate session lock after period of inactivity. (AC-11)	**R**	√	√					
Comment: The session timeout period is configurable. It is set to 20 minutes as a default.								
m. Initiate disconnect on remote connection after period of inactivity. (AC-12)	**R**	√						
Comment: The system ensures optimal utilization of resources.								
n. Auditing of account creation, modification, disabling and termination		√						
Comment: An audit log is created for account creation, modification, disabling and termination. The User ID of the logged in user, date & time of the operation and previous and new values in case of modification are logged.								
o. Review audit records (e.g., user activity logs) on a regular basis. (AC-13)	**R**	√			√			
Comment: An audit log is created. However, reports to review audit log based on specific requirements needs to be developed.								
p. Remote access is controlled. (AC-17) Additional SOM requirement(s): Direct remote server access is only allowed via VPN (minimum 128-bit FIPS 140-2 compliant encryption) with the use of 2-factor authentication.	**R**	√						
Comment: Remote access is controlled by implementing appropriate network security measures.								
q. Inter-organizational access is controlled. (AC-20)	**R**	√						
Comment: Inter-organizational access is controlled by implementing appropriate network security measures.								
r. Least Privilege – Access restrictive set of rights/privileges or accesses needed. (AC-6)	**R**	√						
Comment: Users gets access to only those functions that are required to do their jobs.								
s. Ensure that access to security functions (hardware, software, and firmware) and information is restricted to authorized personnel	**R**	√						
Comment: The access to security functions and information is restricted to authorized personnel only.								
t. Mobile devices that access the system are scanned for malicious code, updated virus protection software, scanned for critical software updates and patches. (AC-19) Additional SOM requirement(s): Scanning of mobile devices as defined in this section is to be performed "prior" to allowing device access to the system.	**R**				√			
Comment: Currently the system can be accessed using a supported browser installed on the mobile device. The system does not have a separate interface for mobile devices.								
u. NO wireless access is allowed anywhere on the same physical network where SOM information is either stored or accessed. (See Requirement 23, item "q".)	**R**	√						
Comment: Appropriate network security will be implemented to ensure wireless access is not allowed anywhere on the same physical network where SOM information is either stored or accessed.								
v. Contractor to administer all access requests, changes, and deletions and is to abide by mutually agreed upon and		√						

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
documented standards and procedures approved by the State.								
Comment: All attempts to logon to the system are logged. All additions, modifications and deletions done in the database are logged.								
w. The system provides the ability to enforce minimum length and minimum complexity rules for passwords.	**R**	√	√					
Comment: A configurable password policy exists in the system. The minimum length of the passwords can be configured.								
x. Enforcement mechanism(s) will be in place to provide security access control at database, workstation, and individual operator levels.	**R**	√						
Comment: Network security, application security and database security is implemented.								
y. The solution will be compatible and compliant with a unique user login enforcing access control based upon the users role and job function.	**R**	√						
Comment: The system implements role based authorization.								
z. Minimum (FIPS 140-2 compliant) 128-bit encryption during transmissions.	**R**	√						
Comment: The system implements SSL								
aa. The information system enforces assigned authorizations for controlling the flow of information within the system, and between interconnected systems, in accordance with applicable policy (AC-4)	**R**	√						
Comment: The system implements information security within the system and across interconnected systems.								

2. Audit & Accountability (AU)

Organizations must: (i) create, protect, and retain information system audit records to the extent needed to enable the monitoring, analysis, investigation, and reporting of unlawful, unauthorized, or inappropriate information system activity; and (ii) ensure that the actions of individual information system users can be uniquely traced to those users so they can be held accountable for their actions.

a. A documented audit and accountability policy. (AU-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	**R**	√						
Comment: Audit data generated by the system corresponds directly to recorded actions taken by identifiable and authenticated users, associated under a unique identifier. All the audit information gathered is sufficient for an after-the-fact investigation. In a sense, audit data is the complete recorded history of a system user. The system provides total visibility and auditing of the access to the organization's servers and computers. This is maintained both for users as well as external interfaces that interact with the system. **Users are accountable for all activities performed in the system. A process exists that links each system access to an identifiable individual user.**								
b. System generates Audit Records for Organization/MDIT defined events. (AU-2)	**R**	√						
Comment: Audit records are generated for defined events.								
c. Audit record should contain: data and time of the event, subject identity, type of event, how data changed, where the event occurred, and the outcome of the event. (AU-3) (AU-8)	**R**	√						
Comment The audit record captures the above mentioned details.								

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
d. Sufficient audit storage capacity should be allocated. (AU-4)	R	√						
Comment Sufficient audit storage capacity is allocated.								
e. System alerts if audit log generation fails. (AU-5)	M	√						
Comment: An Email alert is sent to the Email address defined in the configuration file.								
f. System protects audit information from unauthorized access. (AU-9)	R	√						
Comment Only the users with appropriate roles can access audit information.								
g. Audit record should be reviewed on a regular basis. (AU-6)	R	√						
Comment Audit records can be reviewed as and when required.								
h. Audit logs are stored for sufficient period of time. (AU-7) (AU-11)	R	√						
Comment Audit logs are stored as long as required.								
i. System automatically processes audit records for events of interest. (AU-7(1))					√			
Comment The system is capable of performing automated actions based on the severity of the event.								
j. The solution enables the user to modify data that has already been posted to the database while maintaining an audit trail of the change.	R	√						
Comment History of all changes made in the database is maintained.								
k. The solution has internal transaction control which ensures data integrity in the database (atomicity, consistency, isolation and durability).	R	√						
Comment The solution ensures data integrity by implementing transactions.								
l. The solution has the ability to maintain a historical record of all changes made to any item within the solution (e.g., data element, business rule, process control), the ID of the person or process that made the change, the before images of the affected data records, and the date and time the change was made.	R	√						
Comment The system maintains and tracks all changes made in the database. This includes business rules stored in the database.								
m. The solution must ensure that all solution events for software, hardware, interfaces, operating solution, network, etc. are written to a solution event log in a manner that facilitates debugging of all solution problems.	R	√						
Comment The system creates a record of all interactions – both from end users as well as external interfaces of the system.								
n. The solution offers the ability to query, view, filter, and sort the solution audit trail.	R				√			
Comment The system captures audit trail data. However, audit trail reports are yet to be designed.								
o. The solution has the ability to identify and track data back to its input source (e.g., imaged document, keyed from form, interface file, etc.).	R	√						
Comment All interactions with external interfaces are logged. The input and output of all transactions with the interfaces are stored.								
p. The solution has the ability to audit all override of edits and audits in the application and identify the login ID, date, and time.	R	√						
Comment The system maintains the history of application access and changes made by a user.								
q. The solution must ensure that all errors are written to an	R							

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
error log in sufficient detail to assist with debugging.		√						
Comment The system maintains an error log providing description of the error and the events that lead to the error. The end user is provided with a user-friendly message while the error log contains detailed information for easier troubleshooting.								
r. The solution must allow for an administrator to view, filter, sort, and search the error log.	**O**				√			
Comment The error log is created in the system. However, the error log reports are yet to be designed.								
s. The solution must allow for an administrator to archive error log entries. For example log shipping.	**O**	√						
Comment The error log entries can be archived.								
t. The solution must allow the administrator to define an alert message to be executed upon the occurrence of an error.	**O**	√	√					
Comment The system provides customizable Email alerts that can be executed upon occurrence of an error. The Email To list, CC list, BCC list, Subject and Body of the Email can be configured.								
3. Awareness & Training (AT)								
Organizations must: (i) ensure that managers and users of organizational information systems are made aware of the security risks associated with their activities and of the applicable laws, Executive Orders, directives, policies, standards, instructions, regulations, or procedures related to the security of organizational information systems; and (ii) ensure that organizational personnel are adequately trained to carry out their assigned information security-related duties and responsibilities.								
a. A documented security awareness and training policy and procedure developed and distributed to all employees. (AT-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	**R**	√						
Comment Aithent meets requirement.								
c. System users receive security awareness training prior to authorizing access. (AT-2)	**R**	√						
Comment Aithent meets requirement.								
d. Personnel who have significant system security roles or responsibilities receive appropriate security training based on that role. (AT-3)	**R**	√						
Comment Aithent meets requirement.								
e. Document and monitor individual security training activities. (AT-4)	**R**	√						
Comment Aithent meets requirement.								
f. Acceptable Use Policy		√						
Comment Aithent meets requirement.								
g. All Contractor employees have a signed security agreement in their personnel file upon hire and renewed yearly	**R**	√						
Comment Aithent meets requirement.								
h. Information disclosure and confidentiality statements, are posted throughout the facility	**R**	√						
Comment Aithent meets requirement.								
4. Backup and Recovery (BR)								
Data backups and recovery shall be managed according to Service Level Agreements (SLA) in effect between the								

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Contractor and the SOM. The SLA will cover the frequency and scope of backups. Software application and database architecture and functionality, at a minimum, should be compatible with the state's solution and be capable of supporting:								
a. The ability to provide point-in-time recovery of data to the last completed transaction	O	√						
Comment: Appropriate instance and crash recovery & media recovery techniques are implemented to provide point-in-time recovery of data.								
b. The ability to allow for continued use of the solution during backup.	O	√						
Comment: Periodic backups will be taken without impacting system continuity. Online backup of whole database which is in ARCHIVELOG mode is recommended.								

5. Certification & Accreditation (CA)

Organizations must: (i) periodically assess the security controls in organizational information systems to determine if the controls are effective in their application; (ii) develop and implement plans of action designed to correct deficiencies and reduce or eliminate vulnerabilities in organizational information systems; (iii) authorize the operation of organizational information systems and any associated information system connections; and (iv) monitor information system security controls on an ongoing basis to ensure the continued effectiveness of the controls.								
a. Provide documentation with the contract that hosting environment (Organization) security processes and controls meet COBIT framework standards.	O	√						
Comment: Refer SAS70 Type II certificates								
b. Provide any third party audit certification of these processes in response to this bid and the schedule for certification renewals.	O	√						
Comment Refer SAS70 Type II certificates								
c. Contractor formally authorizes all connections from other information systems and carefully considers the risks that may be introduced. (CA-3)	R	√						
Comment: Hosted system will be behind the firewall and monitored for any possible risk								
d. Contractor conducts an assessment of the security controls in all their information systems to determine the extent to which the controls are implemented correctly, operating as intended, and producing the desired outcome. (CA-4)	R	√						
Comment: Security audit has been done. Refer SAS70 Type II certificates, section II B								
e. Contractor develops and updates a plan of action and milestones for information systems to correct deficiencies noted during the assessment of security controls and to reduce or eliminate known vulnerabilities in the systems. (CA-5)	R	√						
Comment: Continuous monitoring and enhancement in process. Refer SAS70 Type II certificates section III								
f. Contractor formally authorizes and approves the information system security assessment before full implementation. (CA-6)	R	√						
Comment: Refer SAS70 Type II certificates section IV								
g. Contractor monitors the security controls in the information system on an ongoing basis	R	√						
Comment: Refer SAS70 Type II certificates section III								

6. Continuity Planning (CP)

Organizations must establish, maintain, and effectively implement plans for emergency response, backup operations, and post-disaster recovery for organizational information systems to ensure the availability of critical information								

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
resources and continuity of operations in emergency situations.								
a. A documented Continuity Planning policy that addresses purpose scope, roles, responsibilities, and procedures, developed and distributed to all employees. (CP-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	R	√						
Comment: At Aithent we understand sensitivity and confidentiality of our customer's information and fully appreciate the necessity to have a business continuity policy and plan and disaster recovery policy and plan in place. We believe such plans are critical especially on the initiatives where the equipment and software is hosted in the area that is beyond client's direct control and/or supervision. Please find separately attached in electronic format Aithent's business continuity plan for SOM's review. This plan covers Continuity Planning policy that addresses purpose scope, roles, responsibilities, and procedures, developed and distributed to all employees.								
b. Develop, implement, and periodically review a continuity plan that addresses roles & responsibilities, assigned individuals with contact information, and activities associated with restoring the system after a disruption or failure, (CP-2) Additional SOM requirement(s): Organization to provide, with the approval and participation of the State, a Disaster Recovery Plan (DRP). Organization agrees to complete the DRP prior to production cutover.	R	√						
Comment: Aithent's business disaster recovery plan is attached separately in electronic format for SOM's review. This plan covers a recovery plan that addresses roles & responsibilities and activities associated with restoring the system after a disruption, disaster or a failure.								
c. Review Continuity Plan periodically and revise the plan based on system or personnel changes. (CP-5)	R	√						
Comment: Aithent's continuity and disaster recovery plans are reviewed on an annual basis each year in the month of January. The plan is reviewed and updated based on any system or personnel changes.								
d. Backups of user-level and system-level information stored at appropriately secured location. (CP-9)	R	√						
Comment: In the secured hosted environment where SOM's system application and database production servers would be installed, there will be tape backups at scheduled frequencies maintaining both incremental as well as full backups. The backup systems and procedures will be so configured that they will not affect the continued use of the system. The system hardware configuration is so planned for SOM installation, that it will contain safety and precautionary measures such as RAID configuration storage, redundant power supply, dual NIC ports, etc.								
e. Mechanisms with procedures are in place to allow full system recovery and reconstitution to fully secure state. (CP-10)	R	√						
Comment: The RAID configuration planned for hard drive will restore automatically with no downtime whatsoever. In an unlikely event of system needing system restore or backup recovery, an immediate and high priority effort would be made to restore the system within 1-3 hours. In case more time is required for system restore, SOM will be informed in advance. There is no recent or past history of system requiring such emergency restore in the hosted services that Aithent has provided so far to its customers.								
f. Backups of user-level and system-level information is stored at alternate storage site and is geographically separated from the primary storage site. (CP-6)	R	√						

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
Comment: As with all disaster planning, the best planning is for prevention. Aithent maintains all software and documents at two sites physically, and backs up all data to be at two physical sites separated by at least three miles. Aithent support personnel carry cell phones, and numbers are available internally even for those who are not 'on call' in the roster.								
g. Alternate processing site identified and agreements in place. (CP-7) Additional SOM requirement(s): An alternate Server capable of meeting the applications' processing and storage requirements, and all requisite floor space, utilities, and technical staff at the Organizations disaster recovery site.	R	√						
Comment: Aithent has identified alternatives processing sites – one in the US and the other is in Canada. Our current hosted environment customers do not require alternative processing site. Therefore agreements with alternative processing sites will be signed upon execution of contract with SOM. With regards to alternate servers capable of meeting application's processing and storage requirements, there are two possible alternatives. One being, using F5 BigIP type of load balancer on top of multiple servers to handle SOM requirements. Sufficient amount of rack space on the shelf or inside hosting cabinet will be sufficient to address this requirement rather than requiring any floor space at the data center. The second alternative could be to install a high performance, well configured hardware servers with the required hardware and storage failover redundancies; and use it as a web farm. Either way, the system hardware configuration is so planned for SOM installation, that it will contain built-in safety and precautionary measures such as RAID configuration storage, redundant power supply, dual NIC ports, etc. The RAID configuration planned for hard drive will restore automatically with no downtime. We plan to discuss with SOM and address this requirement based on your policy and preferences.								
h. Alternate site telecommunications are identified and agreements in place. (CP-8)	R	√						
Comment: Aithent has identified alternatives processing sites – one in the US and the other is in Canada. Our current hosted environment customers do not require alternative processing sites. Therefore agreements with alternative processing sites will be signed upon execution of contract with SOM.								
i. Train personnel in their contingency roles and responsibilities with respect to the information system and provides refresher training.	R	√						
Comment: New Aithent personnel are trained in the contingency role and existing personnel undergo refresher course every year. If the requirement is about training the SOM personnel, then it can also be covered by Aithent. To do so we would add this training type to training program as listed in the project schedule.								
j. Test the contingency plan at least annually and initiate necessary corrective actions. (CP-4)	R	√						
Comment: Aithent is currently in compliance with this requirement.								
7. Data Migration (DM)								
a. Contractor must provide a data migration plan for migration/transfer of legacy State data from the Oracle database to the new system database. Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	R	√						

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
Comment: Refer attached document								
b. Contractor data migration plan must contain a detailed migration task list (in Microsoft Project), including cutover schedule and activities.		√						
Comment: Refer overall project plan								
c. Contractor must provide the transition plan for transfer of State data at the commencement of the contract and at the contract's termination.	**R**	√						
Comment: Please refer overall project plan								
d. Contractor must provide a projected impact plan on operations and any anticipated downtime the Sate may experience during the transition.		√						
Comment: Assuming that on weekends the system will either be idle or will have few transactions we can perform data migration on any planned weekend causing minimal impact on the application operations. Migrating database with size 2-4 GB and with moderate to high complexity generally takes us around 5 to 8 Hours. One day is good enough for data migration along with Post Migration Data Verification. The other day of weekend can be treated as buffer/fall-back plan, in case any sort of problem is experienced during data migration.								
e. Contractor's migration plan must include security measures that will be taken during the transition to protect the State's data.		√						
Comment: We realize that SOM has sensitive data in the systems like SSN Numbers, passwords, credit card information etc, which may not be appropriate to be shared. To deal with this, prior to sending source data, sensitive information will be encrypted.								
f. Test requirements to ensure: Accuracy of migrated data.	**R**	√						
Comment: Subsequent to every data migration, migrated data is primarily verified with respect to record counts, correctness of migrated data and configuration of maintenance data. During migration the number of records related to specific entity may or may not be the same. The data may or may not transform in one to one format or it may not be desirable to migrate redundant records from legacy system. The aim while verifying data is to first identify/workout the number of records expected in migrated data and then to ensure that it match with migrated data record count. The correctness of transaction data is verified by comparing the data present in selected sample of records in source with records in migrated database. This activity is performed using views which display source data fields and corresponding migrated data fields in same record, making it easy to validate. The verification of maintenance data deals with ensuring that application metadata and business rules have been appropriately incorporated into the database. Finally the entire migrated data is scrutinized using checklist. This checklist is initially created based on business rules and later evolves during various cycles of data migrations. Prior to each data migration, dirty records (records requiring cleanup before migration) are identified in legacy dataset. A log of such records is generated at the end of data migration process so that these records could be cleaned up prior to next migration cycle. The application test cases are executed thoroughly on the migrated database.								

8. Edit and Validation Control (EV)

a. The solution includes comprehensive field edits to prevent incomplete or incorrect data from entering the solution	**R**	√						
Comment: Validations are performed both at the client side and server side. Appropriate use of Javascript, validator controls and validation framework ensure data completeness & correctness.								
b. The solution ensures data integrity and controls processing without hard-coded logic	**R**	√						
Comment: To ensure data integrity, the system implements normalization, business rules, referential integrity and validation rules.								

9. External System Interfaces (EX)

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
a. The solution has the ability to allow the import/export of stored data either through internal application functionality, API's, or direct database connectivity.	R	√						
Comment: The system utilizes XML and exposes web services that can be easily consumed by external systems. 'N' tier architecture, clear separation of business and data layer ensures easy integration with external systems. The solution is capable of importing/exporting data in various formats. The system has the ability to connect to multiple databases and consolidate information.								
b. The solution can provide real-time data transfer of identified data.	R	√						
Comment: The system is capable of providing real-time transfer of data by calling a web service and sending data when certain events occur in the system or by using database techniques for real-time data transfer of identified data.								
c. The solution can provide all operational data and reference tables to the SOM via SFTP or other similar secure protocols on a predefined timetable.	O	√						
Comment: The system is capable of providing operation data and reference tables via secure protocols periodically.								
d. The solution must provide a secure method (i.e., encryption) of importing and exporting data.	R	√						
Comment: Appropriate encryption algorithm will be applied for securely importing and exporting data.								
10. Help Desk Support (HD)								
a. Help Desk support team will be pre-trained on the system and have extensive customer support experience.		√						
b. The Contractor Software will provide statistical information on a monthly-basis pertaining to how many calls, approximate duration of the call, date and time and who placed the call.		√						
c. If a SOM resource is needed, the Contractor is to provide the caller with the name and number of who to call.		√						
d. The State and Contractor are to jointly agree on a mechanism to keep the State's Call Center advised of hardware issues affecting system availability and/or performance.		√						
11. Identification & Authentication (IA)								
Organizations must identify information system users, processes acting on behalf of users, or devices and authenticate (or verify) the identities of those users, processes, or devices, as a prerequisite to allowing access to organizational information systems.								
a. Identification and Authentication Policy & Procedure documented, reviewed and updated (IA-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	R	√						
Comment: The system implements strong authentication. All users must enter Login name and password to access the system.								
b. Unique Authentication of a user's identity is accomplished through the use of passwords, tokens, or biometrics. (IA-2)	R							

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
Additional SOM requirement(s): At a minimum, the use of "unique" login/password credentials is required for system/application access.		√						
Comment: Only authenticated users can access the system.								
c. Management of accounts (IA-4)	**R**	√						
Comment: An 'Account Management' function is available to the Administrator.								
d. Authentication information (e.g., password or PIN) must never be disclosed to another user or shared among users. (IA-5)	**R**	√						
Comment: Password information is encrypted and protected in the system.								
e. Authentication information feedback to user is obscured (e.g., asterisks in password field). (IA-6)	**R**	√						
Comment: Password is never visible in the system. At the time of password entry by the user in the password field, asterisks are displayed.								
f. Authentication systems employ methods that meet requirements of applicable laws, Exec Orders, policies, and standards. (IA-7)	**R**	√						
Comment: Authentication system meets the security requirements								
g. Identify and authenticate devices (e.g., MAC, TCP/IP, etc.) (IA-3)	**R**	√						
Comment: All external devices/applications access the system securely. Users access the system using a browser.								
h. A secure means whereby the system/application differentiates between internal network logon credentials (as in individuals who support/manage the system/application), and external "users". (Perhaps a separate URL, or VPN client, which is only accessible via the Intranet when managing the system/application?) The system/application (or use of implemented policies/procedures) must further deny the creation of accounts which have identical internal/external user names and/or passwords. For example: It's possible for an individual to have separate network access roles...one as an "internal" system administrator...and another as an external user/client. In such cases, "internal" login credentials must NOT match "external" login credentials.		√						
Comment: Internal and External users are given different roles in the system. All users are stored in the same set of tables in the database. The Login Name of each user is unique in the system. If the same individual is accessing the system as an internal user and as an external user, these will be treated as two separate users by the system.								

12. Incident Response (IR)

Organizations must: (i) establish an operational incident handling capability for organizational information systems that includes adequate preparation, detection, analysis, containment, recovery, and user response activities; and (ii) track, document, and report incidents to appropriate organizational officials and/or authorities.								
a. Documented and implemented Incident Response Policy & Procedure. (IR-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	**R**	√						

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
Comment: Aithent meets requirement								
b. Incident handling form for consistent, repeatable process for monitoring and reporting when dealing with incidents. (IR-4) (IR-5) (IR-6)	R	√						
Comment: Aithent meets requirement								
c. Incident response resource identified to assist users in handling and reporting incidents. (IR-7)	R	√						
Comment: Aithent meets requirement								
d. Network set up with a monitoring system that pages the Network Administrator in the event of any failure, 24 hours a day, 7 days a week, allowing for immediate response to minimize potential downtime.		√						
Comment: Aithent meets requirement								
e. If an outage is expected, the OFIR main contact is to be notified as far in advance as possible once the Contractor is aware of the scheduled outage.		√						
Comment: Aithent meets requirement								
f..Incident response testing at least annually and personnel trained in their incident response roles and responsibilities at least annually (IR-2) (IR3)	R	√						
Comment: Aithent meets requirement								
13. Infrastructure / Network (IN)								
a. State policy does not allow a server which has direct traffic from the internet (Web, Email) to use Windows file or print sharing. Is the proposed software and system architecture compatible and compliant?	R	√						
Comment: Server are behind the firewall and not accessible from outside directly. File sharing protocol and access are also not allowed.								
b. State policy does not allow servers in the semi-trusted DMZ network zone to share resources using Windows File Sharing. Is the proposed software and system architecture compatible and compliant? Please describe how your system would provide services to users both on an internal secure network and the internet with data in a secure network zone. Describe where you would put servers and services and what protocols would be used across network zones for three network zones which include a trusted zone, semi-trusted zone (DMZ) and internet.	R	√						
Comment: DMZ network usually refer for production environment not for development. If production, server are placed behind the firewall with HTTPS, HTTP and FTP protocol accessibility. No other then these port and protocol are allowed for inbound traffic.								
c. State policy does not allow services from the internet including SMTP, HTTP, HTTPS, FTP, and SFTP network traffic to be inbound to zones more trusted than the DMZ without going through an interim security device (such as a firewall). Is the proposed software and system architecture compatible and compliant?	R	√						
Comment: System will be behind the firewall. No port and protocol other than HTTPS, HTTP and FTP are allowed for any inbound traffic.								
d. State policy does not allow Windows file sharing across network zones. Is the proposed software and system architecture compatible and compliant?		√						

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
Comment: System will be behind the firewall and all the traffic will be controlled through it. File sharing is disabled.								
e. State policy requires all servers housing data not authorized for public dissemination are to reside in a network zone more secure than the semi-trusted DMZ zone. Is the proposed software and system architecture compatible and compliant?	**R**	√						
Comment: Server housing data are allowed to communicate with intended application hosted server only that to on specific port. Every other request is denied. Security rules and firewall ensure about that.								
f. State policy requires any servers receiving inbound mail from un-trusted sources to first have mail filtered against hostile content by a mail gateway. Is the proposed software and system architecture compatible and compliant?		√						
Comment: Inbound Email traffic is not required.								
g. State policy requires mail relaying to be disabled for non-authorized users. Is the proposed software and system architecture compatible and compliant?		√						
Comment: Yes, only authorized users emails are relayed and non-authorized users emails are denied and dropped. Only outbound email traffic is allowed								
h. State policy requires servers and applications to be capable of sending outbound HTTP, HTTPS, FTP, or Gopher protocol traffic from a more secure network zone to a less secure zone using a proxy gateway. Is the proposed software and system architecture compatible and compliant?		√						
Comment: System is capable of sending and communicates on these above protocols. Traffic will be control through firewall and outbound HTTP, HTTPS, FTP traffic will be allowed as per policy								
i. State policy prohibits servers and equipment from having a network presence (IP address) in more than one network zone (split-horizon). Is the proposed software and system architecture compatible and compliant?		√						
Comment: Yes								
j. State policy requires inbound network traffic to be able to be scanned for hostile content even if it is encrypted. Is the proposed software and system architecture compatible and compliant?					√			
Comment: The system can be modified to comply with this requirement.								
k. State policy requires outbound traffic to be able to be scanned for hostile content even if it is encrypted. Is the proposed software and system architecture compatible and compliant?					√			
Comment: The system can be modified to comply with this requirement.								
l. Is your software/system capable of securing outbound traffic containing confidential or sensitive data so only the intended recipient can access it? Please name the encryption protocols and bit lengths used.	**R**	√						
Comment: Solution includes VPN capability and application support HTTPS for communication. The confidential and sensitive data are encrypted use DES protocol and 128 bit encryption.								
m. Is the system able to receive, process, and send encrypted traffic that is encrypted with acceptably secure protocols for the standards of the day and complies with NIST FIPS Publication 140-2? Please list the encryption		√						

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and key management protocols supported by your software/architecture and indicate whether your software/system(s) can be configured to support new encryption and key management protocols.								
Comment: Yes, the system can be configured to support new encryption and key management protocols.								
n. State policy requires that network packets that go across the internet are not allowed to contain information such as internal IP addresses that can be used to determine internal network structure. Is the proposed software and system architecture compatible and compliant?		√						
Comment: Yes, development system are behind proxy and firewall while production server are behind multiple firewall which insure that internal IP is not transmitted over Internet								
o. State policy prohibits inbound ICMP traffic. Is the proposed software and system architecture compatible and compliant?		√						
Comment: port responsible for ICMP packet are blocked from firewall								
p. State policy prohibits inbound SNMP Traffic. Is the proposed software and system architecture compatible and compliant?		√						
Comment: port responsible for SNMP packet are blocked from firewall								
q. State policy requires connections to external networks to be through state approved methods using approved technologies (such as VPN's using FIPS 140-2 compliant protocols/procedures). Is the proposed software and system architecture compatible and compliant?		√						
Comment: VPN ready solution								
r. State policy prohibits broadcast network traffic across network zones. Is the proposed software and system architecture compatible and compliant?		√						
Comment: Yes								
s. Network Management Services – Contractor will engineer, provide and monitor, at its cost, network connectivity between the server and the State. The State's network hardware, and software capabilities and standards will govern the technical solution.		√						
t. Contractor guarantees the Network will successfully meet all telecom interface standards.		√						
Comment: Refer to SAS70 Type II								
u. Contractor is to maintain a Network performance monitoring and measuring system at its hosting environment. The monitoring system will measure, monitor and report Network activity between the Contractor and State interfaces. The Contractor agrees to implement said monitoring and reporting system prior to production cutover.		√						
Comment: Available with managed hosting. Refer to Aithent production server hosting environment documentation for managed hosting and SAS70 type II compliance								
v. Contractor agrees to increase network capability at its cost, as needed, to meet the Network availability and performance service levels defined by the State.		√						

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Comment: Yes								
w. All equipment supplied and/or supported under this contract must be configured in the most optimal manner and in conformance with standards as determined by DIT Enterprise Architecture.	R	√						
Comment: Available with customized hosting, Refer to Aithent production server hosting environment documentation for managed hosting section								
x. The solution is fully compatible with State standard RDBMS (see Enterprise IT policies, standards and procedures).	R	√						
Comment: Yes the solution is fully compatible with State standard RDBMS								
y. Services from the internet, including SMTP, HTTP, HTTPS, FTP, SFTP, and SCP network traffic, are not allowed to be inbound to zones more trusted than a DMZ without going through an interim security device.	R	√						
Comment: Appropriate firewall policy are in place								
z. All servers, which hold data that is not publicly available, must reside in a network zone more secure than a semi-trusted DMZ.	R	√						
Comment: Server holding data will be behind the firewall in DMZ zone with accessibility to defined port only from application server. Other then this allowed port all other are closed and traffic is denied.								
aa. Any servers receiving inbound email from un-trusted sources must first have email filtered against hostile content by an email gateway.	R	√						
Comment: No incoming email traffic is allowed								
bb. The solution must allow blocking outbound internet traffic, and traffic from a secure network zone to a less secure network zone. A proxy gateway may be required depending on the protocol needed by the servers and applications.	R	√						
Comment: Appropriate firewall policy is in place. Only specific outbound traffic is allowed as per policy								
cc. Servers and equipment are prohibited from having a network presence (IP address) in more than one network security zone.	R	√						
Comment: Unique IP for every server.								
dd. The solution can block inbound network traffic which has not been scanned for hostile content, even if it is encrypted.	O	√						
Comment: Appropriate firewall policy will be in place. Un-scanable traffic for venerable port are dropped.								
ee. The solution can block outbound network traffic, which has not been scanned for hostile content, even if it is encrypted.	O		√					
Comment: Appropriate firewall policy is in place								
ff. The solution must allow securing of sensitive data so that only the intended recipient can access it.	R	√						
Comment: Application will be on HTTPS								
gg. The solution should be able to receive, process, and send encrypted traffic, that is encrypted with acceptably secure protocols, for the standards of the day and complies with NIST FIPS Publication 140-2	O	√						
Comment: Application will be on HTTPS								
hh. Inbound/Outbound network packets from the State	R	√						

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are not allowed to contain information such as internal IP addresses that can be used to determine internal network structure.								
Comment: Yes, the solution will not allow containing information such as internal IP addresses on the network packets. Server are behind proxy and firewall								
ii. Inbound ICMP traffic to the SOM is prohibited.	R	√						
Comment: appropriate firewall policy will be in place								
jj. Inbound SNMP Traffic to the SOM is prohibited.	R	√						
Comment: appropriate firewall policy will be in place								
kk. Connections to external networks must be approved by the State	R	√						
Comment: yes								
ll. All data crossing security zones must be identified by source(s), destination(s), and port(s).	R	√						
Comment: Logging are in place which includes packet source, destination and ports								
mm. If part of the proposed solution, all wireless data must be encrypted and use SOM wireless service.	R	√						
Comment: Wireless solution not in use								
nn. The solution should be able to support 1.5x the peak number of concurrent users projected to be licensed in the solution.	O	√						
Comment: Yes the solution supports the requirement								

14. Maintenance (MA)

Organizations must: (i) perform periodic and timely maintenance on organizational information systems; and (ii) provide effective controls on the tools, techniques, mechanisms, and personnel used to conduct information system maintenance.								
a. A documented Maintenance policy that addresses purpose scope, roles, responsibilities, and procedures, developed and distributed to all employees. (MA-1)Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	R	√						
Comment: We meet the requirement. Please refer to Product Server maintenance process.pdf								
a. System and database modifications, pushes to development: Contractor is required to: 1) Coordinate updates to the application(s) and database(s) with the State's Project Manager. 2) Be responsible for the administration of the database(s) and production environment. 3) Be responsible for moving applications from the development/test environment to the production environment for all application and database updates and enhancements. 4) These moves to production are to be logged and auditable.		√						
Comment: We meet the requirements said above and the responsibilities are documented and distributed to the concerned person. Necessary trainings are provided to the individuals who are responsible to maintaining the systems								

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and network.								
b. Contractor to provide the Project Manager documentation sufficient in the opinion of the Project manager for any changes to the production application(s) that are not generated by the application itself.		√						
Comment: The Project Managers are training and checklists are provided for maintaining and upgrading the production servers.								
c. If the updates require downtime, State staff are to be notified of the potential downtime as if it is an expected outage.		√						
Comment: The policy defines to notify the concerned users on any downtime. The checklist is updated before the system is downed for maintenance or upgrading.								
d. Updates to the application that require down-time are to follow the expected outage notification procedures.		√						
Comment: The policy and checklist are maintained for system down-time.								
15. Media Protection (MP)								
Organizations must: (i) protect information system media, both paper and digital; (ii) limit access to information on information system media to authorized users; and (iii) sanitize or destroy information system media before disposal or release for reuse.								
a. A documented Media Protection policy that addresses purpose scope, roles, responsibilities, and procedures, developed and distributed to all employees. (MP-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	**R**	√						
Comment: Refer to SAS70 Type II compliance documentation								
b. Contractor ensures that only authorized users have access to information in any media, printed or digital. (MP-2)	**R**	√						
Comment: Yes, Refer to SAS70 Type II compliance documentation section III								
c. Media is sanitized and disposed of based on MDIT and Contractor policies and procedures. (MP-6) Additional SOM information: MDIT required sanitation/disposal procedures are based upon DMB Administrative Guide 1350.90	**R**	√						
Comment: Refer to SAS70 Type II compliance documentation (Section III: Control Activities and Tests of Operating Effectiveness)								
d. Track, document and verify media destruction and disposal actions	**R**	√						
Comment: Refer to SAS70 Type II compliance documentation (Section III: Control Activities and Tests of Operating Effectiveness)								
e. Paper and digital media is stored in a secure storage area and audit of access attempts and access granted is documented. (MP-4)	**R**	√						
Comment: Refer to SAS70 Type II compliance documentation (Section III: Control Activities and Tests of Operating Effectiveness)								
f. Contractor restricts the pickup, receipt, transfer, and delivery of media to authorized personnel. (MP-5)	**R**	√						
Comment: Refer to SAS70 Type II compliance documentation (Section III: Control Activities and Tests of Operating								

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Effectiveness)								
g. Contractor affixes external labels to removable media and output indicating distribution restrictions, handling caveats and applicable security markings. (MP-3)		√						
Comment: Refer to SAS70 Type II compliance documentation (Asset Management)								
h. All personal identifying information (PII) must be encrypted in transmission, at rest, and storage (minimum 128-bit)	**R**	√						
Comment: Refer to SAS70 Type II compliance documentation (Access Control)								
i. Digital media stored at a minimum of 128-bit encryption	**R**	√						
Comment: Refer to SAS70 Type II compliance documentation (Section V: REDPLAID Physical Environment Controls)								

16. Physical & Environmental (PE)

Organizations must: (i) limit physical access to information systems, equipment, and the respective operating environments to authorized individuals; (ii) protect the physical plant and support infrastructure for information systems; (iii) provide supporting utilities for information systems; (iv) protect information systems against environmental hazards; and (v) provide appropriate environmental controls in facilities containing information systems.

a. A documented Physical and Environmental protection policy that addresses purpose scope, roles, responsibilities, and procedures, developed and distributed to all employees. (PE-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable. This documentation is required, even if the Contractor uses a third-party hosting center.	**R**	√						
Comment Refer to SAS70 Type II compliance documentation section V								
b. Contractor develops and keeps current a list of personnel with authorized access to facilities. (PE-2)	**R**	√						
Comment Yes, Refer to SAS70 Type II compliance documentation section V								
c. Contractor controls all physical access points to facilities. (PE-3)	**R**	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
d. Contractor monitors physical access to systems to detect and respond to security incidents. (PE-6)	**R**	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
e. Contractor controls physical access to systems by authenticating visitors before allowing access to facilities. (PE-7)	**R**	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
f. Contractor maintains visitor access records for facilities. (PE-8)	**R**	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
g. Contractor employs and maintains automatic emergency lighting. (PE-12)	**R**	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
h. Contractor employs and maintains fire suppression and detection systems. (PE-13)	**R**	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
i. Contractor employs and maintains temperature and humidity levels within the facilities. (PE-14)	**R**	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								

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j. Contractor employs water damage and detection systems in facilities. (PE-15)	R	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
k. Contractor controls, documents, and authorizes all delivery and removal of systems and related items entering and exiting the facilities. (PE-16)	R	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
l. Contractor controls physical access to system devices that display output. (PE-5)	R	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
m. Contractor protects power equipment from damage and destruction. (PE-9)	R	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
n. Contractor provides remote emergency shutoff.　　　(PE-10)	R	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
o. Contractor provides short term uninterruptible power supply for systems. (PE-11) (1) The Contractor provides a long-term alternate power supply for the information system that is capable of maintaining minimally required operational capability in the event of an extended loss of the primary power source.	R	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
p. Contractor maintains appropriate security controls for telecommuting or communications from alternate worksites. (PE-17)	R	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
q. Contractor locates systems within facilities to minimize potential damage or unauthorized access. (PE-18)	R	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
r. Contractor controls physical access to system transmission lines within facilities. (PE-4)	R	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
s. Provide background investigation of all personnel either supporting, or having physical or logical access to SOM systems or data.	R	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
t. Any required background investigations to include Michigan State Police Background checks as well as Fingerprint checks with the National Crime Information Center (NCIC).	R	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
u. Contractor personnel may be required to complete and submit an RI-8 Fingerprinting Card for the NCIC Finger Print Check, at the Organization's expense.		√						
Comment Refer to SAS70 Type II compliance documentation section III & V								
v. Provide access to hosting facility (including backup / DR facilities) for properly identified and previously authorized State employees, federal auditors, and privately contracted auditors, pursuant to agreed upon guidelines. Such visits may be announced or unannounced.		√						

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Comment Refer to SAS70 Type II compliance documentation (Section v: REDPLAID Physical Environment Controls)								
w. Ensure compliance by all Contractor and Third-party personnel with the State's (SOM) Security Guidelines under "Policies and Standards" published at: http://www.michigan.gov/dit/0,1607,7-139-34305---,00.html		√						
Comment: We meet the Security Guidelines requirements.								
x. All Contractor personnel are to comply with the State's acceptable use policies where State IT equipment and resources are concerned.	**R**	√						
Comment: We meet the State policy requirements.								
y. All individuals with physical / logical access to systems containing SOM data (whether Contractor staff, or third-party), are required to sign a State of Michigan Contractor Security Agreement, as well as a Non-Disclosure agreement. These documents are to be reviewed / renewed annually. Contractor will have all required documents signed prior to allowing any individual access to SOM systems/data. Said forms will also be signed prior to the Contractor presenting said individual to the State as a proposed resource.	**R**	√						
Comment Refer to SAS70 Type II compliance documentation section III & V								

17. Planning (PL)

Organizations must develop, document, periodically update, and implement security plans for organizational information systems that describe the security controls in place or planned for the information systems and the rules of behavior for individuals accessing the information systems.								
a. A documented Security Plan policy that addresses purpose scope, roles, responsibilities, and procedures, developed and distributed to all employees. (PL-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	**R**	√						
Comment Refer to SAS70 Type II compliance documentation								
b. Contractor develops, implements, and regularly reviews a Security Plan. (PL-2) (PL-3)	**R**	√						
Comment Refer to SAS70 Type II compliance documentation section III								
c. Contractor establishes an End User Computing agreement describing roles and responsibilities and expected behavior. Document is read, understood, and a signed copy is retained before authorizing access. (PL-4)	**R**	√						
Comment Refer to SAS70 Type II compliance documentation section III								
d. Contractor conducts a privacy assessment of system. (PL-5)	**R**	√						
Comment Refer to SAS70 Type II compliance documentation section III								
e. Contractor organizes and plans security related activities, assessments, maintenance, and audits. Contractor is responsible for implementation of all facets of the Organizations published Security Plan.		√						
Comment: Refer to SAS70 Type II compliance documentation (Section III: Control Activities and Tests of Operating Effectiveness)								

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f. Security-Related Activity Planning Control: The Contractor plans and coordinates security-related activities affecting the information system before conducting such activities in order to reduce the impact on organizational operations (i.e., mission, functions, image, and reputation), organizational assets, and individuals.Supplemental Guidance: Routine security-related activities include, but are not limited to, security assessments, audits, system hardware and software maintenance, security certifications, and testing/exercises. Organizational advance planning and coordination includes both emergency and non-emergency (i.e., routine) situations. (PL-6)	R	√						
Comment: Refer to SAS70 Type II compliance documentation								

18. Personnel Security (PS)

Organizations must: (i) ensure that individuals occupying positions of responsibility within organizations (including third-party service providers) are trustworthy and meet established security criteria for those positions; (ii) ensure that organizational information and information systems are protected during and after personnel actions such as terminations and transfers; and (iii) employ formal sanctions for personnel failing to comply with organizational security policies and procedures.

a. A documented Personnel Security policy that addresses purpose scope, roles, responsibilities, and procedures, developed and distributed to all employees. (PS-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	R	√						
Comment: Aithent meets requirement								
b. Contractor screens individuals requiring access before authorizing access. (PS-3)	R	√						
Comment: Aithent meets requirement								
c. Contractor conducts exit interviews upon termination of employees and terminates access to systems. (PS-4)	R	√						
Comment: Aithent meets requirement								
d. Contractor reviews system and facility access upon reassignment of personnel. (PS-5)	R	√						
Comment: Aithent meets requirement								
e. Contractor establishes security requirements for third party Contractors and monitors their compliance. (PS-7)	R	√						
Comment: Aithent meets requirement								
f. Contractor requires individuals needing access to complete and sign an access agreement before authorizing system access (PS-6)	R	√						
Comment: Aithent meets requirement								
g. Contractor employs a formal sanction process for security non-compliance. (PS-8)	R	√						

19. Reporting (RP)

The State currently uses 443, internally developed, report formats that are able to be executed by end-users. These reports are divided into 10, pre-defined categories (i.e., Agency, Company, Compliance, Education, Executive Information, Invoicing, Legal Bills, Licensing, Product Filings, Staff Member). Selection of a COTS package will depend on the solution to address the capability to provide a set of standard reports, the ability for end-users to develop /

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configure reports and formats, and ability to conduct ad hoc reporting. The proposed solution will also need to address the capability to view, import, export, and print report data utilizing various formats (e.g., Word, PDF, Excel). The solution will take into consideration the following:								
a. The solution delivers standard reports/information useful for assessing the over-all status, operation and debugging of the solution.	R	√						
Comment: The system has a lot of useful reports.								
b. The solution includes ad-hoc query tools for generating reports. (Tools must provide ease of use by the end user; tools must allow the end users the ability to craft queries; tools must allow users the ability to save queries, and tools must facilitate the export to Excel and / or ASCII delimited files.)	R	√			√			
Comment: All reports can be exported to PDF and Excel.								
c. Any online query capability enables non-technical end-users to extract information.	R				√			
Comment: The reports are generic, but can be filtered as per the requirements. The columns in the reports can be made customizable.								
d. The standard (e.g., regularly scheduled, recurring) reporting environment allows:								
i. Standard reports can be scheduled, executed, viewed on-line, printed (centrally or remotely) and dispersed (including the use of report distribution management software)	O		√		√			
Comment: Few reports can be scheduled and reports can be distributed as per the configuration.								
ii. Content of standard reports is controlled by user-group-role access or other appropriate protocols using the same security model as defined by the Contractor solution. Refer to Section 7 of the technical requirements.	R	√	√					
Comment: As per the user authorization, the reports can be viewed by the user group. The authorization lies with the Administrator of the application.								
iii. Report content is filterable based on user permissions and/or assigned roles.	O	√						
Comment: Yes, this requirement is met and the Administrator has the control to enable or disable the rights to view the reports.								
iv. The System Administrator has the ability to set report filter controls.	O	√						
Comment: Yes.								
e. The solution provides :								
i. Methods for retaining and modifying previously built report queries	O				√			
Comment: The code can be modified to implement this function.								
ii. Security and control mechanisms that limit the abuse of ad hoc queries (e.g., attempted access to restricted data, attempted execution of a query that would run for several hours, etc.)	O				√			
Comment: The code can be modified to implement this function.								
iii. The use of databases, external files, or a "data warehouse" for ad-hoc reporting	O				√			
Comment: The code can be modified to implement this function.								

20. Risk Assessment (RA)

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
Organizations must periodically assess the risk to organizational operations (including mission, functions, image, or reputation), organizational assets, and individuals, resulting from the operation of organizational information systems and the associated processing, storage, or transmission of organizational information.								
a. A documented Risk Assessment policy that addresses purpose scope, roles, responsibilities, and procedures, developed and distributed to all employees. (RA-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	R	√						
Comment: Refer a) Risk Management Guideline.pdf, b) Risk Management Process.pdf c) Risk Log.xls								
b. Contractor categorizes their information in accordance with applicable laws, orders, and policies. (RA-2)	R	√						
c. Contractor has a risk assessment done for systems, to identify magnitude of harm from breach, use, disclosure, modification, or destruction. (RA-3)	R	√						
Comment: Risk assessment process is followed in all Aithent projects.								
d. Contractor updates the risk assessment or whenever major changes are performed. (RA-4)	R	√						
Comment: Risk assessment is done periodically and as and whenever major changes are performed.								
e. Contractor regularly scans for vulnerabilities in the system. (RA-5)	R	√						
Comment: The network security team keeps track of latest possible vulnerabilities. Regular scans ensure good health of the systems.								
f. Vulnerabilities to the software will be assessed and remediated as soon as possible to ensure the integrity and security of the solution.	R	√						
g. A process or procedure will be in place to notify the State of any critical vulnerabilities as soon as feasible by the bidder.	R	√						
Comment SOM will be notified in an unlikely event of identification of any critical vulnerability.								
21. Software Licensing (SL)								
a. The software license is for perpetual use for a fixed fee without additional royalties or service fees, except for ongoing software maintenance.	O	√						
Comment: Aithent grants a perpetual license only to its software. Third party tools and databases are not included.								
b. All software code developed as the result of this contract will be owned by the State.	R	√						
Comment: We agree to these terms and conditions as noted in article 2 in sections 2.260 and 2.320.								
22. Software Package Specifications (SP)								
a. Any client software associated with the proposed solution can be installed on user desktops using remote desktop management tools such as Microsoft System Management Server (SMS).	O	√						
Comment: There is no client installation involved.								

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b. The software allows State users, from SOM PC workstations, to access and update all necessary information to complete a transaction.	R	√						
Comment: Internet connectivity is required and should be able to access the hosted server.								
c. The software allows for the accurate and timely input and output of data.	R	√						
d. The software provides a Graphical User Interface (GUI) that is user-friendly.	R	√						
Comment: All the data are entered through GUI interface which is user-friendly.								
e. The solution is modular in design to accommodate phased implementation and future expansion.	O	√						
Comment: Aithent has suggested iterative implementation as described in the plan.								
f. Solution modularity allows the capabilities of the core solution to function without the entire solution complement.	O	√						
Comment: The current solution being iterative model, the core solution will be able function without the entire solution.								
g. Additional modules may be integrated into the solution without a major impact to the installed components.	O	√						
Comment: Yes, the integration process will make sure that there is no major impact to the installed components								
h. All modules of an instance of the solution are integrated and designed to work together using a single repository, regardless of the source of the document or digital asset.	O	√			√			
Comment: All data would be stored in a RDBMS and documents in Filenet server								
i. The solution has the ability to import delimited text and XML files in batch mode while ensuring the same edits and validations as the online solution.	O	√						
Comment: Yes.								
j. Response times, at local and remote sites, for the major on-line processes stated above. Please provide recommended architecture (include ports in order to enable capability).	O	√	√					
k. The software provides the capability of exporting data as standard EDI files, delimited files or XML formatted.	O				√			
Comment: The solution support Excel, XML and PDF output								
23. Solution Architecture (SR)								
MDIT Enterprise IT policies, standards and procedures can be found at the following link: http://www.michigan.gov/dit/0,1607,7-139-34305-108233--,00.html (www.michigan.gov > MDIT > Policies & Standards)								
a. The software is expandable and scalable, with specific reference to the solution capacity requirements presented in this contract.	R	√						
Comment: Refer to the Solution Narration document, which explains about the architecture.								
b. The solution is compatible with the State's technical architecture.	R	√						
Comment: Yes								
c. The solution is sized suitably for the solution specified.	O	√						
Comment: Yes. Further sizing will be done during phase I discussion								
d. The solution does not introduce, or require, propriety networking or hardware components that are different than the SOM standards.	R	√						
Comment: Yes we meet the requirements.								

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e. The client can access the solution using an MDIT standard business desktop PC.	R	√						
Comment: Yes, the client can access the solution through desktop PC								
f. The solution's browser-based components do not require controls or plug-ins not supported by the State (see Enterprise IT policies, standards and procedures).	O	√						
Comment: Yes, we meet the requirements								

24. System & Communications Protection (SC)

Organizations must: (i) monitor, control, and protect organizational communications (i.e., information transmitted or received by organizational information systems) at the external boundaries and key internal boundaries of the information systems; and (ii) employ architectural designs, software development techniques, and systems engineering principles that promote effective information security within organizational information systems.

a. A documented Systems and Communication Protection policy that addresses purpose scope, roles, responsibilities, and procedures, developed and distributed to all employees. (SC-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	R	√						
Comment: Refer to attached documentation, SAS70								
b. System protects against denial of service attacks. (SC-5)	R	√						
Comment Yes, Refer to SAS70 Type II compliance documentation, included with managed hosting solution								
c. System monitors and controls communications at all boundaries. (SC-7) Control Enhancements: (1) The Contractor physically allocates publicly accessible information system components to separate sub-networks with separate, physical network interfaces. Enhancement Supplemental Guidance: Publicly accessible information system components include, for example, public web servers. (2) The Contractor prevents public access into the organization's internal networks except as appropriately mediated. (3) The Contractor limits the number of access points to the information system to allow for better monitoring of inbound and outbound network traffic. (4) The Contractor implements a managed interface (boundary protection devices in an effective secure architecture) with any external telecommunication service, implementing controls appropriate to the required protection of the confidentiality and integrity of the information being transmitted. (5) The information system denies network traffic by	R	√						

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
default and allows network traffic by exception (i.e., deny all, permit by exception). (6) The Contractor prevents the unauthorized release of information outside of the information system boundary or any unauthorized communication through the information system boundary when there is an operational failure of the boundary protection mechanisms.								
Comment: Refer to SAS70 Type II compliance documentation section III, included with managed hosting solution								
d. System protects the integrity and availability of public information. (SC-14)	R	√						
Comment: Refer to SAS70 Type II compliance documentation								
e. Contractor separates user functionality from system management. (SC-2)	R	√						
f. System prevents unauthorized information transfer via shared systems. (SC-4)	R	√						
Comment: yes, all activities are monitored including traffic.								
g. System protects the integrity of transmitted information. (SC-8)	R	√						
Comment: Yes, VPN is supported								
h. System protects the confidentiality of the transmitted information. (SC-9)	R	√						
Comment: Yes								
i. System terminates a network connection at end of session or inactivity timeout. (SC-10)	R	√						
Comment: Yes, such security rules are in place								
j. System prohibits remote activation of video or audio conferencing. (SC-15)	R	√						
Comment: No video or audio traffic is allowed on hosted server.								
k. Contractor utilizes public key certificates from an approved provider. (SC-17)	R	√						
Comment: Yes								
l. Contractor restricts and manages mobile code technologies, i.e. Java, ActiveX, Flash, etc. (SC-18)	R	√						
Comment: Yes								
m. Contractor restricts and manages voice over IP systems. (SC-19)	R	√						
Comment: VOI is not allowed on hosted servers								
n. Contractor restricts and manages fault tolerant Domain Name Systems (DNS). (SC-20) (SC-22)	R	√						
Comment: DNS is not configured on hosted system								
o. System provides communication protection at the session level when session level protection is needed, i.e. SOA, etc. (SC-23)	R	√						
Comment: Firewalls takes care about this. Rules are in place.								
p. Contractor separates security functions from non-security functions. (SC-3)	R	√						
Comment Yes								
q. NO wireless access is allowed anywhere on the same physical network where SOM information is either stored	R							

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
or accessed. (See Requirement 1, item "t".)		√						
Comment: Wireless access is not allowed								
r. Contractor MUST provide system network/data-flow diagram for review by appropriate SOM personnel.	**R**	√						
Comment: Refer to SAS70 Type II compliance documentation								
s. The solution will ensure the integrity and confidentiality of data is protected by safeguards which prevents release of information without proper consent.	**R**	√						
25. System & Information Integrity (SI)								
Organizations must: (i) identify, report, and correct information and information system flaws in a timely manner; (ii) provide protection from malicious code at appropriate locations within organizational information systems; and (iii) monitor information system security alerts and advisories and take appropriate actions in response.								
a. A documented Systems and Information Integrity policy that addresses purpose scope, roles, responsibilities, and procedures, developed and distributed to all employees. (SI-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	**R**	√						
Comment: SAS70 Type II certification								
b. Contractor identifies, reports, and corrects information system flaws. (SI-2)	**R**	√						
Comment: Refer SAS70 Type II certification report section III								
c. Contractor implements malicious code protection and techniques. (SI-3) Additional SOM requirement(s): 1) The network must be protected by anti-virus enterprise software automatically updated with the latest virus definitions as the software publisher releases them. 2) All workstations connected to the network will be protected with anti-virus software to prevent viruses from being introduced from within the network. 3) Prior to connection to the network, all Third Party equipment connected is to be scanned/cleaned of any malware/infection.	**R**	√						
Comment: Symantec End Point Protection on each workstation with auto update, auto quick boot time scan.								
d. Contractor receives system security alerts and advisories and reissues them to appropriate personnel for action. (SI-5)	**R**	√						
Comment: Auto venerability scanning and alert system in place								
e. Contractor employs tools to monitor system attacks and unauthorized usage. (SI-4)	**R**	√						
Comment: Refer Aithent Production Server hosting Environment doc, section support and account management for managed hosting								
f. System has spam protection. (SI-8)	**R**	√						
Comment: Email communication not required and allowed from firewall								

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
g. System verifies correct operation of security functions. (SI-6)		√						
Comment: Refer Aithent Production Server hosting Environment doc, section Managed services								
h. System detects and protects against unauthorized software and information changes. (SI-7)		√						
Comment: Refer Aithent Production Server hosting Environment doc, section Managed services								
i. Separate testing and production environments.		√						
Comment: The integration test environment, the user acceptance test environment and the production environment are managed separately.								
j. The solution logs failed database access attempts by date, time, user ID, device and location.	**M**	√						
Comment: The system logs failed database access attempts in a file. Details of the exception raised are logged.								
k. The solution logs configuration changes by application administrators and users. Logging will include date, time, unique user ID, and description of the activity.	**R**	√						
Comment: All changes done in the database tables related to configuration are logged. The date, time, logged-in User ID, previous and new values are logged.								
l. The solution logs events such as startup, shut down or security events. Logging will include date, time, unique ID, event description and event outcome.	**R**	√						
Comment: The solution logs key events in the system								
m. Solution logs must be protected from users who do not have privileges to view them.	**R**	√						
Comment: The system implements strong authentication and role based authorization.								
26. System Migration & Testing (SM)								
a. Contractor must provide a transition plan for transfer of operations to the hosted system. Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	**R**	√						
Comment: Aithent has vast experience in migrating data from legacy applications to its solutions. While implementing its products, has enabled Aithent to have a mature migration skills and expertise supported by a proven & robust methodology. Please find separately attached in electronic format Aithent's migration approach for SOM's review.								
b. Contractor transition plan must contain a detailed migration task list (in Microsoft Project), including cutover schedule and activities.		√						
Comment: Please find separately the project plan in Microsoft Project, which covers migration plan along with the Aithent's solution.								
c. Contractor must provide a projected impact plan on operations and any anticipated downtime the Sate may experience during the transition.		√						
Comment: Aithent with its experience in the past on data migration doesn't foresee any impact on the State activities/operations. Aithent is recommending for iterative approach for COTS implementation and move to production after each iterative, thus the existing system would be production till all the iterations are complete. Aithent will push the data from new system to the old system so as the day-to-day activities of State are not impacted. Further detailed document will be provided to the State on migration plan after studying the existing system and discussion with State users. As far as the anticipated downtime the State may experience is, only the effort required by the State to verify the migrated data. The anticipated downtime can be reduced to minimal during the planning phase.								

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
d. Contractor is to provide a plan for testing methodologies employed in the effort to ensure that business operations will not be negatively impacted immediately before, during, or after migration.		√						
Comment: Aithent recommends involving OFIR users during the migration phase to remove the impact and downtime. The involvement and responsibilities have been identified in the project plan. The methodology employed is described in the Aithent's migration approach document.								
e. The proposed process to be used to reach mutually agreed upon transition acceptance criteria.		√						
Comment: Aithent will discuss with SOM on the approach defined the document and the plan and come to agreement.								
f. Contractor to provide a disaster recovery plan prior to migration to the new system.		√						
Comment: Aithent's business disaster recovery plan is attached separately in electronic format for SOM's review. This plan covers a recovery plan that addresses roles & responsibilities and activities associated with restoring the system after a disruption, disaster or a failure.								
g. Contractor's migration plan is to include measures utilized to ensure that critical processes, such as printing, interfaces with other systems, and end-of-month transactions, will be available to the State of Michigan before/during/after the system migration.		√						
Comment: Refer Project plan and Aithent Data Migration document.								
h. Contractor to perform system acceptability and performance testing after migration of additional data application, modification, or updates to the software and prior to commencement of primary processing support.		√						
Comment: At Aithent we understand sensitivity and confidentiality of our customer's information and fully appreciate the necessity to have an acceptability and performance testing plan in place. All changes to application will undergo necessary testing at Aithent, UAT performed by SOM and then move the production. Any issue related to acceptability and performance would be identified at earlier stage.								
i. Contractor Specific acceptance and performance tests are to be agreed to prior to completion of migration.		√						
Comment: Aithent will define the acceptance and performance test plan during the planning phase of the project in consultation with SOM.								
j. Test requirements to ensure: Processing capabilities of hardware, system software and telecommunications resources meet requirements.	R	√						
Comment: Aithent will audit and monitor the hardware and software to ensure that the processing capabilities don't impact the SOM operations.								
k. Test requirements to ensure: Accuracy of processed data.	R	√						
Comment: All migrated data would undergo a regress testing process which would ensure that all data from Source database is migrated to Target database as per the mapping of data definition. The data definition mapping will be agreed upon SOM and Aithent.								
l. Test requirements to ensure: Hardware, systems software, and telecommunications environments integrate and interface effectively with the State as stated in the functional, technical, and interface requirements.	R	√						
Comment: Aithent will ensure all requirements are met during UAT setup.								
m. Testing to be performed jointly and all results documented. Any issues are to be documented and resolved by the Organization, with input from the State.		√						
Comment: At Aithent we record all the issues identified through Defect Tracking System (DTS) to closure. In past								

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
projects, we have recommended our client to use DTS for logging issues/enhancements/changes. DTS allows us monitor the status of issues logged.								

27. System & Services Acquisition (SA)

Organizations must: (i) allocate sufficient resources to adequately protect organizational information systems; (ii) employ system development life cycle processes that incorporate information security considerations; (iii) employ software usage and installation restrictions; and (iv) ensure that third-party providers employ adequate security measures to protect information, applications, and/or services outsourced from the organization.

Technical Requirements	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
a. A documented Systems and Services Acquisition policy that addresses purpose scope, roles, responsibilities, and procedures, developed and distributed to all employees. (SA-1) Additional SOM requirement(s): Copies of documentation must be provided to the State of Michigan for review. Electronic copies are preferred, but printed copies are acceptable.	R	√						
Comment: Refer to SAS70 Type II compliance documentation								
b. Contractor performs and allocates capital resources for Security. (SA-2)	R	√						
Comment: Refer to SAS70 Type II compliance documentation								
c. Contractor manages systems using a system development life cycle methodology that includes information security considerations. (SA-3) Additional SOM notation: An example would be the current SOM "SUITE" methodology.	R	√						
Comment: Aithent meets requirement.								
d. Contractor adequately documents systems. (SA-5)	R	√						
Comment: Aithent meets requirement.								
e. Contractor complies with software usage policies. (SA-6)	R	√						
Comment: Aithent meets requirement.								
f. Contractor enforces policies governing software installation by users. (SA-7)	R	√						
Comment: Aithent meets requirement.								
g. Contractor requires that external providers of systems employ adequate security controls. (SA-9)	R	√						
Comment: Aithent meets requirement.								
h. Contractor utilizes security engineering principles in system designs. (SA-8)	R	√						
Comment: Aithent meets requirement.								
i. Contractor requires that system developers create security test and evaluation plans. (SA-11)	R	√						
Comment: Aithent meets requirement.								
j. Contractor requires that system developers create and implement configuration management plans. (SA-10)		√						
Comment: Aithent meets requirement.								

28. Contractor, Bidder/Contractor & third party (VC)

Technical Requirements	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
a. Adherence to MDIT and Contractor security policies	R	√						
Comment : Aithent will adhere to policy								
b. Security Agreements signed, maintained and reviewed yearly	R	√						

Technical Requirements NIST control numbers included where applicable	REQUIRED (R) / Optional (O)	Included in base (OOTB) (1)	Configurable (2)	Integrated 3rd Party (3)	Modifiable (4)	Not Supported (5)	Intentionally left blank	Intentionally left blank
Comment: Security agreements are signed and maintained quarterly.								
c. Remote Access must be secured through the use of, at minimum, VPN with 2-factor authentication.	R	√						
Comment: Aithent meets requirement.								
d. Third Party software and equipment should be configured to operate securely; virus protection and other SOM security procedures should be employed.		√						
Comment: Aithent meets requirement.								
e. Eliminate physical and electronic access on the same day the contract ends		√						
Comment: Aithent meets requirement.								
f. Contractor is required to verify that any Organization, Bidder or third-party with access to hardware housing SOM applications and/or data is utilizing/following security controls that meet or exceed Contractor/Organization/SOM established security controls.		√						
Comment: Aithent meets requirement.								
g. Must provide the State with identified or established Contractor policies or a third party independent audit (e.g.: SAS70) and/or certification of their hosting facility to verify identified or established policies are in place to protect the State's confidential and sensitive data.		√						
Comment: Aithent meets requirement.								

ADDENDUM 1

Final Review and Sign-Off of Functionality Demonstration

General Information	
Date	July 20, 2010
Primary OFIR Division/Section and Unit	Supervisory Affairs
Business Process	See Below Underlined Headings for each business process demonstrated.
Process Owner	Judy Weaver
OFIR Attendees	Julie Powers, Sue Houseman, Pamela Heemer, Kristin Hynes, Barb Strefling
Contractor Attendees	Aithent: Allister Yu, Pradeep Prasad, Chandrasekar Kuppuswamy, Raja Somasundaram
Comments	**Process Description(s)** Supervisory Affairs is responsible for financial monitoring of insurance companies' financial condition, and part of the processing of applications from insurance companies to write business in Michigan. Being able to provide key information to the NAIC for accreditation is an essential function. The division primarily uses the current system to track dates and information regarding each licensed entity or applicant. The division demonstrated how the current system is used and the information and data that needs to be captured that are contained as functional requirements. A system project narrative, screen prints, and inquiries description was provided during the presentation to Aithent. The following summarizes the key processes of the division, which were demonstrated to Aithent. **Functional requirements: 12-55, 61-67, 213-249, 288-292, 298, 299, 304-317, 322, 560, 562, 564** 1. Capture and maintain current and historical corporate and company information for each entity: Examples of company data captured: types of applications/entities, financial summary, company name, NAIC and group code, federal identification, ownership type, authorized insurance lines, credit and priority rating, state of domicile, addresses, contact information, ultimate controlling party, annual statement filing fee, assigned staff person, authorized reinsurer, and tracking workflow (i.e. comments). 2. Capture and maintain form filing and financial analysis process. Examples of data captured: staff member assigned, date analysis began and ended, two levels of supervisory review sign-off dates, priority ranking, cursory/detail review, type of form, form required and due date, received date, extensions, exemptions, and restrictions.

3. Track statutory deposits. Examples of data captured: receipt id, required amount, received date, maturity date, return date, and security description.

4. Inquiries. Demonstrated the various key inquiries readily available for running within the current system, and ability to export the information into Excel for further processing. These inquiries and reports are used to allow managers to monitor staff workload and performance and used to provide information to numerous constituencies.

5. Discussed financial information downloaded from NAIC database and posting of some data from OBase onto our website (i.e. Form A filings). Nothing is posted from our database directly to the website. Information is transferred from OFIR's production database to the Web databases. Currently, only the Form A filing inquiries go directly against OFIR's production database. The Form A pdf files are stored in a table in the Oracle database.

6. Discussed invoicing for annual statement filing fee and late fines.

General
Some system improvements would be to better control the security within the system, ability to move a group of companies from one analyst to another, and have audit trails. We currently have the capability to move a group of insurers to different analysts on one screen. We also record the receipt of the Form B (holding company registration) for an entire group on one screen rather than in each individual company. The company sends notification to OFIR if there is a group change. An analyst is currently assigned manually.

Most licenses are perpetual with some exceptions such as company was renamed and controlling authority changed.

Exceptions
None

Final Review and Sign-Off of Functionality Demonstration

General Information	
Date	July 20, 2010
Primary OFIR Division/Section and Unit	Consumer Services Including PRIRA
Business Process	See Below Underlined Headings for each business process demonstrated.
Process Owner	Cathy Kirby
OFIR Attendees	Kristi Taber, Cindy Mielock, Melanie Near, Tim Tran, Karen Porter
Contractor Attendees	Aithent: Allister Yu, Pradeep Prasad, Chandrasekar Kuppuswamy, Raja Somasundaram
Comments	**Process Description(s)** Each of the processes listed below were described by navigating through the OBASE Complaint module along with some navigation into the Compliance module (Investigations, Examination, and Enforcement). **Create Maintain Profiles and Complaints** Consumer Services handles all complaints for OFIR. This demonstration was specific to Insurance complaints. When a complaint is called in to OFIR on a licensed Insurance entity information is captured on both the complainant and the respondent. If a person is not a licensee they are entered as an Other Individual. There can be multiple respondents per complaint. The same person can be entered in multiple times and address information is maintained specific to consumer services. A problem report is always created when a call is received in the call center as all calls do not end up being complaints. Each problem report can have multiple complaints. Once a problem report is created one or more complaints can be opened and tied to it. The complaint is then assigned manually to a complaint analyst to process. Certain complaints are only assigned to certain analysts. The respondent is contacted by the analyst to notify them that there is an open complaint against them. A letter is sent to both the complainant and the respondent who has to respond within a specified timeframe. **The actions are not tracked by entering information in the comments field. There is a separate table used to track the actions taken that relate to complaints and these actions may be further described by using the comment field that is part of each action record.** There are predefined actions, such as always sending an initial letter to the respondent. Correspondence is also used to gather more information from either the respondent or the complainant. Letters that are sent have Word templates that can be modified. They are stored in a folder on a shared drive. The complaint is either closed or referred to investigations or referred directly to enforcement. It can also trigger an examination. A complaint can be Closed for one respondent and referred to investigations or enforcement for another respondent on the same complaint. There are multiple dispositions when closing a complaint. A complaint can be closed and then reopened using the same complaint number. The history of complaints for each licensee is shown in the system. An investigation can lead to an enforcement or contested case. An investigator sends a paper file with a memo to enforcement. A complaint must be entered in the system before a fine can be ordered.

Other complaints, similar to complaints on individuals for insurance companies, are complaints on Health Plans Complaints on PRIRA (similar to a health plan except it is a government self funded entity). Much of the complaint process is the same as described above with some differences. A health plan complaint could be against several different parties involved with a patients care. This type of complaint also has external reviews to determine what type of health care was involved and why it is or is not subject to PRIRA. Within the agency there are several internal reviews related to the patients' right to the independent review act. The review has an outcome of either dismissed, reversed, or appeal. A health plan complaint can also go through the respondent's internal grievance procedure within their own company. Finally, a legal order document goes out by the Commissioner, and if the company complies, the health plan complaint is closed out.

Various Reports are generated based on all of the information captured. An example of a report is to show details regarding who has not responded in order to follow up. There are also Performance monitoring reports to verify that complaints are getting processed and closed out within required timeframes. There are also Complaint Ratio Reports showing how many complaints were reported against a company. Reports can be posted on the website. Reports can have access restrictions to only authorized viewing.

Examples of data captured: Complaint number, name of respondent, name or company, address, contacts Information, complaint category, analyst assigned, date opened, date closed, disposition.

Functional Requirements: 325 – 361.

<u>Investigations</u>
Market Conduct Investigations were briefly mentioned. This is a new area, and it uses the existing Investigation functionality within OBASE. So far, minimal changes have been made.

During the complaint process violation information specified in the insurance code is captured. It is an allegation by the State that they believe the respondent has violated the insurance code. The action and disposition is to refer to investigations. Once Investigations receives the file the analyst goes to the referral bank to open the investigation. The same problem report is used unless a new respondent is added. A memo is created by the complaint analyst to be signed by the Complaint and Investigations managers.

Investigations will receive the hard copy memo and the investigation will be assigned to an investigator. The System shows previous investigation and enforcement cases against the respondent.

The investigation may end up being assigned to Enforcement. <u>Failure to respond is one reason for Enforcement to take over.</u> New complaints are created, associated with the investigation and sent to enforcement when entities fail to respond to the investigators. Enforcement does not take over the investigation. Enforcement actions are predefined processes. Enforcement handles hearings and contested cases. The court order is tracked as each respondent may have restitution.

Examples of data captured: Complaint number, disposition, action taken, date opened, date closed,

Functional Requirements: 177 – 184.

<u>Exceptions</u>
None

Final Review and Sign-Off of Functionality Demonstration

General Information	
Date	July 21, 2010
Primary OFIR Division/Section and Unit	Company Admissions and Regulatory Assessments and Financial Examinations
Business Process	See Below Underlined Headings for each business process demonstrated.
Process Owner	Barb Strefling
OFIR Attendees	Marti Gaabo, Sue Houseman, Bob Lamberjack, Kim Moon, Linda Martin, Linda Hansen
Contractor Attendees	Aithent: Allister Yu, Pradeep Prasad, Chandrasekar Kuppuswamy, Raja Somasundaram
Comments	**Process Description(s)** Each of the processes listed below were described by navigating through the Company Module for Company Admissions; the OBase Assessment Variables Screen Within the Annual Assessment Module; the Company Module for Financial Examinations; and the Compliance Module for Examination enforcement referrals. **Company Admissions** The Enterprise Monitoring Division (EMD) is responsible for entering all authorized insurance company entities into the system, beginning from the time the entity originally applies to Michigan, and including the general maintenance of company information, i.e. names, addresses, lines of business, and identifier information. Similar information is also entered for licensed premium finance companies. EMD demonstrated key functions as follows: A new company is entered into OBase from the application submitted by the company (either paper or electronically through NAIC I-site) as a "New Request." Application fees are received, but not by electronic funds. Generally, the fee is $500 but may vary based on a retaliatory fee structure. After a determination has been made that the application can be accepted as a "complete application," mandatory company information is entered into OBase manually: Name of Entity, NAIC Number, FEIN, Organization or Regulated Company Type, lines of business, contact person, etc. Various screen prints were provided to show this information. After the general information of a New Request has been entered, OBase generates an electronic e-mail to the Supervisory Affairs Division (SAD) to indicate an application is waiting to be assigned to an analyst for review. The current OBase system has the capability of tracking the progress of the application through a tab called "Actions." The information in the Actions tabs also captures the information for various reports, one of which is the monthly status report. Upon receipt of the final worksheet from SAD and completion of the EMD Corporate Review, various information is added into different tabs within the system, i.e. addresses (such as Statutory H.O., Mailing, Billing, Service of Process), ownership code (stock or mutual), group number, abbreviated name, status (authorized, registered, etc.). After this information has been added to the various tabs, a Certificate of Authority is generated from the Reports module to be forwarded to the Commissioner for signature. Upon approval by the

Commissioner, the Application Coordinator goes into the application and fills in an effective date and "approves the application." Before selecting the Enter button, a *Reminder Box* comes up asking if all important information has been added (i.e., addresses, lines of business, etc.) After double checking, the Enter button is selected and it changes the status of the application from Pending to Authorized, thereby capturing the authorized date for the History Status of the company.

Screen prints were provided for the various types of "Applications" captured in the database. These types include but are not limited to:

- Name Changes
- Redomestications (redomesticate from one state to another)
- Mergers
- Additional Authority (Amended C/A)
- Change of Org Status
- Conversions (mutual to a stock, authorized to surplus lines, etc)

Form A filings (changes of control) are available for viewing on OFIR's web site. The Form A is not simply posted on the website; the filing is stored in the database and used by a Form A Web Inquiry.

The database must house corporate and licensing information for each licensed entity type authorized in Michigan. Domestic and foreign companies are entered the same way. Certificates of authority are perpetual. Types of foreign and domestic entities that we maintain information for include:

- Property/Casualty Companies
- Life/Health Companies
- Surplus Lines
- Fraternals
- Title Insurers
- Farm Mutuals
- HMO/AFDS
- MEWAs
- Co-Ops
- Reciprocal
- Accredited Reinsurers
- Trusteed reinsurers
- Premium Finance Companies

Company Admissions Reports and Documents:
The information captured within the database is the source for many reports and inquiries that are requested monthly, quarterly, annually or for a specific time frame. Screen prints were provided for examples of various key reports in the "Reports" module:

- Monthly status reports
- Quarterly Surplus Lines Reports
- Redomestication and Merger reports

The following documents are OBase generated (copies were provided):

- Certificates of Authority

- Proposed Certificates of Authority
- Duplicate Certificates of Authority
- Certificates of Compliance (Domestics only)

An organizational ID is system generated. If an application is returned the status shows not authorized.

If a company has a name change, a change of domicile, or a change of control or ultimate controlling party, for example, a new application must be submitted. Identical company names are not allowed. The company is contacted if there is already another company with the same name.

Examples of data captured: Company data such as Organization name, NAIC number, FEID number, CRD number, Organization type, RC type, group number, various addresses, contact information, domicile, financial data. When an approval date is entered, the status is updated from pending to authorized.

Functional Requirements: 35, 54, 65, 66, and 67.

Insurance Regulatory Fee Assessments
The demonstration showed the Assessment Variables Screen within OBase. Michigan does not have a premium tax. Instead, revenue is collected through the assessment of insurance regulatory fees based on insurance company premiums from the previous year, as reported on each insurer's annual statement (from the NAIC). Invoices must go out by June 30th each year.

Financial data is pulled from NAIC financial data warehouse to get all financial information from each company that operated in Michigan the previous year. Companies are included whether or not they are currently active, as long as they reported some activity in Michigan in the previous year. There are companies created by the legislature that are included in the population; these companies are exempt from annual assessments, but they are still included in the reporting. There are many conversions and manipulations that are performed on the data to determine report classifications. Domestic companies file hard copy quarterly and annual statements in addition to the electronic filings with the NAIC. Foreign companies file electronic statements only. Most companies file through the NAIC, however a small number do not. The financial data for those that do not file with the NAIC is gathered into excel spreadsheets and loaded into tables for further processing.

The financial data extracted from the NAIC is used for a number of reporting purposes, not just for the annual assessments. Martti Gaabo provided an overview of the data extraction process, and discussed how the data is subsequently manipulated to generate annual assessments as well as produce various insurance reports. A high-level written list of General Steps to extract and process financial information was prepared by Martti Gaabo, and provided to Aithent at the meeting.

Annual Assessment Module
Assessment variables, OFIR budget numbers and other statutory information are entered into the Assessment Variables screen, and are used as part of the assessment calculation. Assessment formulas are obtained from the statute. The numbers required in the variables screen are entered into the module by the area manager and an OBase program runs to execute the calculations.

The total assessment amount (regulatory fee) is assessed across all of the companies in the population. Individual assessment amounts per company are calculated and generated by the OBase program.

Each year division staff compares the proposed company assessments to the previous year, to test the data for accuracy. For example,

a company with a proposed assessment that varies greatly from the previous year is looked at more closely. The analyst makes sure that the company filed correctly, for example.

Once all of the raw data is collected, it is pulled into an access database to further massage the data before the assessment calculation runs. The summary data is stored into OBase. Once the final analysis is done, and after any adjustments are made, the assessment is recalculated for a final time and the assessment information is entered into OBase.

Next the invoices are generated as a batch process. The invoicing of assessments is a unique transaction separate from other invoices, because it shows the details of the amounts billed for the assessment on each invoice.

Assessments Reports:
Various reports are produced regarding the assessments that are used for management and legislative purposes. Reports include:
Report of Assessment Amounts and Formulas and Actual Calculations
Report of Assessment Premiums and Calculated Rates
Report of Assessment Distribution

A narrative of the assessment process, a copy of the statutory formulas, and various screen prints related to the above were provided to Aithent.

Examples of data captured: Financial data extracted from NAIC.

Functional Requirements: 300, 301, and 322.

Financial Examinations
Every Insurance company receives an exam every 3 to 4 years. The examination is initiated by entering start date into OBase. There are regional managers and they assign the examiners. There is a roster of examinations to perform every 3 to 4 months depending on the size of the examination that is assigned. The regional supervisor populates the examination data into OBase as the examination progresses.

For the examination wrap up a report is tracked through OBase as the examination progresses. When the report Is finished then it is sent to the company and the examination is finalized and closed. Once the examination is Closed that is final. An examination could lead to an investigation, but usually it is just closed.

Budget information is determined by the regional supervisor. They have a defined process that lists the tasks to conduct an examination. This list is used to plan each examination by selecting specific tasks and analyzing the questionnaire given to the company to fill out and does risk analysis and formulates a budget by estimating how much time the examination will take.
There are three regions that are covered: Detroit, Grand Rapids, and Lansing. The regional manager rolls up the time spent into a budget.

All items remain open until the examination is closed. Comments are not entered and expenses are not entered. There is a tickler based on due dates and will highlight anything past due. NAIC/iSite also tracks examinations.

If an examination does trigger an investigation then the OGC is notified with their referral form sent to the OGC with a memo and copy of the referral form.

Financial Examination Reports:
Report any series of examinations by Regional Manager
Report on what is late or complete or done
Report on open examinations to see what needs to be closed
Report of current examination listing for internal reporting and also for NAIC

Examples of data captured: Company name, dates, budget data, is entered
 into OBase.

Functional Requirements: 252, 253, 255, 256, 258, 260, 263, 265, and
267.

Exceptions
None

Final Review and Sign-Off of Functionality Demonstration

General Information	
Date	July 22, 2010
Primary OFIR Division/Section and Unit	Insurance Licensing and Continuing Education
Business Process	See Below Underlined Headings for each business process demonstrated.
Process Owner	Jean Boven
OFIR Attendees	Michelle Riddering, Terri Mann, Tracy Lord-Bishop, Jen Childs, Lisa Leal
Contractor Attendees	Aithent: Allister Yu, Pradeep Prasad, Chandrasekar Kuppuswamy, Raja Somasundaram
Comments	**Process Description(s)** Each of the processes listed below were described by navigating through the OBASE Invoice, Insurance Licensee and Company Modules. **Workflow** There was discussion around the various methods of setting up work flow and the group all agreed that it can be configured to meet the needs of the work group. Aithent indicated that setting up workflow with inbox functionality is doable. **Examples of data captured:** Inbox for Insurance License Applications: date received, system id, applicant name, Application type, resident status, due date, date of last action. **Functional Requirements:** 155-159. **Continuing Education for Insurance Licensing** Education Provider Vendor verifies that all documents are submitted and enters the Continuing Education and evaluation information into OBASE. There is an appeal period of up to 25 days if the course is denied. There are also other reasons the Provider could file an appeal. Audits are also conducted on CE courses. Providers also provide schedules of the courses they offer. Courses expire every two years. The system calculates and stores this date when a course is approved. OFIR has the ability to change this date. 90 days prior to course termination a warning email is sent by a nightly cron to providers. This warning is stored as an action with the appropriate course. Every night another cron runs that terminates courses that have reached their expiration date. This termination is stored as an action with the appropriate course. Providers are responsible for maintaining at least one active course or the status of the Provider itself will go to inactive. If a provider is within 90 days of losing its last active course, this information is contained in the Warning E-mail that is sent. OFIR sends renewal invoices annually to the Education Providers. If a provider does not pay its renewal invoice, the Provider and all its courses are terminated. To become active again, a new application must be submitted. There is a review and approval process for the provider's License and for each course. Continuing Education courses must meet the state requirements to obtain approval. Reports such as reconciliation of fees and course listings for Providers are generated.

Examples of data captured: Provider id, type of course, classification (Life/Health, Property Casualty, Ethics), hours requested, hours approved, open to public, application type, application date, actions taken (deemed complete would be one), course fee, evaluators assigned to review the course material (there could be multiples), course id number, auditor name, detailed audit information and final disposition, provider name, tax id, provider type, their website, CE address and contact information (would like to be able to enter multiple CE address and contact records per Provider), fees for applications and renewals, unlimited comments.

Functional Requirements: 90, 122, 123, 124, 126, 127, 128, 129, 130, 131, 387

Pre-Licensing Education
Pre Licensing providers send in materials and applications. There are no fees associated with Pre-licensing Education and they do not have to renew. PE course information is entered into OBASE. Generally courses Required for pre-licensing is due to a statute change. The courses are evaluated by the agents advisory counsel. The courses offered can beviewed online. I don't export this information so unless OFIR has a static file of evaluators out on the web I think this was referring to something else. I don't know what. The PE vendor enters the courses and sends the list to the evaluators, the vendor does not do evaluations for PE courses. If there are audits then expense information would be collected for the audits. PE evaluators are appointed by the Commissioner and their appointment beginning and ending dates are maintained in the system OFIR periodically changes education Vendors. The Education Vendors use OBase directly so if this occurs, then the old vendor's OBase authority is cancelled and OBase authority is granted to the new Vendor.

Examples of data captured: Provider id, type of course, classification (Life/Health, Property Casualty, Ethics), hours requested, hours approved open to public, application type, application date, actions taken (deemed complete would be one), approved evaluators assigned to review the course material (there could be multiples), course id number, auditor name, detailed audit information and final disposition,, provider name, tax id, provider type, their website, PE address and contact information (would like to be able to enter multiple PE address and contact records per Provider), unlimited comments.

Note   Some providers are both CE and PE Providers and have the same Provider ID. There are separate histories maintained for their CE and PE activity. Their CE and PE status does not need to be the same.

Functional Requirements: 387-416

Insurance Licensing Invoicing
In Michigan Insurance companies are invoiced for renewal of appointments.
Appointments to be included in the billing are selected by OFIR entering a date range and then selecting the appropriate stored procedure to run. The stored procedure generates the appropriate invoices and creates the necessary supporting detailed records.

Holders of Miscellaneous licenses (solicitor, counselor, adjuster, surplus lines) are sent renewal invoices. These invoices are generated by OFIR entering a data range and selecting the appropriate stored procedure to run. The stored procedure generates the appropriate invoices and creates the necessary supporting detailed records

Once the invoices are generated the authorized person goes into the invoice module and prints the invoices by entering a beginning and ending range of invoice numbers. The invoices are sent by mail. The invoices can be reprinted.

If a Miscellaneous Invoice needs to be adjusted after it is created, the license or licenses associated with the invoice also needs to be adjusted and the affected licensees notified. To avoid missed steps the process was automated by providing an entry screen to enter parameters such as the reason for the adjustment, the license involved and the effective date of the change. The system then

makes all the necessary changes and notifications based on the parameters entered. **I think this is a actual requirement so there is no preferred or not preferred method.**

Examples of data captured: Invoice ID, invoice date, customer billed, due date, customer tax id, fee, appointment information (name of agent/agency, beginning appointment date, ending appointment date, SSN / FEIN), sponsored licensees.

Functional Requirements: 71, 86, 89, 90, 109, 124, 137, 288-298, 303-306, 308-310, 313

CISP Requests
CISP requests are sent to the OFIR insurance staff. The requests could be from anyone requesting extractions of data. The requestor can request the information be on mailing labels, printed on paper or saved electronically. The number of records determines the possible electronic storage options. The most common methods are Excel spreadsheets and text files.

The cost of the CISP request is determined by a multi-tier costing model that goes by the number of individual records included in the request. This model is specified annually in the appropriations bill.

OFIR has a set of basic inquiries, with parameters, developed to meet the most frequently requested sets of data. OFIR staff runs the correct inquiry and enters the correct parameters based on the individual request. The inquiry includes the anticipated cost of the information.

After confirming with the requestor that the cost is acceptable, the invoice is generated and the information saved in a file that is saved on a shared drive.

If the amount over $100, OFIR sends out the invoice and waits until payment has been received before sending the file.

If the amount is less than $100, the results are sent at the same time the invoice is sent.

Examples of data captured: Varies depending request

Functional Requirements: 298, 306, 485, 560, 562, and 564

Data Window Presenter
The Data Window Presenter was also demonstrated.   This application is separate from OBASE. It is a front end application to the OBASE Oracle database to correct data. The individual making the change adds a comment record to the entity that is being adjusted to create a trail of what was changed and why. The date and user who made the change is maintained with the record that was changed.

Individual Insurance Licensing
They are in Phase III of obtaining Insurance licenses from NIPR, it will be complete around the end of the year and will include getting adjustor, counselor, and solicitor licenses from NIPR in addition to already getting individual/producers licenses.

In order to keep their resident producer and solicitor licenses, licensees need to complete a specified number of CE hours per review period. The hours need to be split between specified types of education. The number of hours and type of credit hours is

specified by the Insurance code and is subject to change.

Education providers are required to report to OFIR who has taken what courses. From this reported information, detailed course records are created and associated with the indicated individual for the appropriate review period based on OFIR rules.

OFIR staff have the ability to review and adjust this information as appropriate.

The system follows predetermined rules to determine when licensees are in compliance with their CE requirements. Examples of some rules: The course needed to be active at the time the licensee completed it. The licensee will not receive credit for taking the same course more than once in the same review period.

OFIR sends out warnings via e-mail and paper 90 days in advance of a Licensee's current CE review date.

For each CE review period, OFIR suspends licensee appointments, qualifications (LOAs) and licenses of licensees that are not compliant with the CE requirements. Notifications are sent out via e-mail and by paper when this occurs.

For each CE review period, OFIR terminates licensee appointments, qualifications (LOAs) and licensees for licensees that were suspended and are not in compliance with their CE requirements within 90 days of their CE review date.

The warning, suspension and termination processes are currently run from Access systems.

Michigan has some qualifications (LOAs) and appointment types that are exempt from CE requirements.

Individuals are allowed to petition to have their current CE date extended. This information is maintained in a separate field. Their current CE date is not overwritten if their extension is granted.

OFIR also has the ability to waive CE requirements. The waiver may apply to a particular CE review period or it may be permanent.

CE information for individual licensees is sent to the OFIR web database on a nightly basis and there are web inquires that allow this information to be viewed.

Applications for Producers
(Going by the number of active licenses, the majority of producers are actually non-residents)

Producers may hold more than one license. Demographics are entered or updated from the information submitted on applications. The application process includes background checks. If the application is received through NIPR, some background checking is done by NIPR querying the RIRS system. OFIR staff perform additional background checking tasks. There are separate fields to record the status and results of the two parts of the background check.

The system shows history of licensing in another state, on both applications and stored with the individual's record. Performance measures are generated from application information. For example, the date received is compared to the date completed to determine if applications are being processed within the required timeframe. The system generates a PDF file of the application as it was originally submitted from NIPR and this file is stored as an attachment to the application. The information received electronically from NIPR is compared to existing OBase information and if potential problems are found these problems

are identified and OFIR has windows in the system to manually resolve the potential problems. Once there are no more data problems with the submitted application information, the information is transferred from the NIPR applications tables to the actually application tables. Applications also contain Michigan specific information that is added after the application has been created in OBase.

The application is pending until all requested LOAs are approved, denied or withdrawn. Each LOA has a status with a status reason.

PE courses taken are recorded with the application and the system determines if the applicant has met the PE requirements. Exam information is electronically added to the system by the Vendor and the system determines if the proper exams have been passed to grant the request LOAs. When an application is saved, the system analyzes the information and creates issue records for each item that is preventing the application from being finished. If the user indicates a letter should be generated, a letter is created by the system and displayed on the screen. The user may then adjust the letter content. The letter may then be sent to the applicant by e-mail, by mail or both. A pdf file is created of the letter by the system and attached to the application.

Comments are entered to track actions taken on the review and approval of the application.

Other Information that was Discussed

The system allows for individuals and agencies to be associated with each other. Managing General Agent is one type of association.

An appoint screen lists the current status and the historical changes of agent/agency company appointments and sponsorships If the insurance company indicated the appointment had been canceled for cause, there are optional fields on the appointment record to show the status of OFIR's investigation into request to cancel for cause.

When requests to cancel for cause are entered into the system, investigations and enforcement personnel received e-mails alerting them to the situation. OFIR staff also have the ability within the system to generate referral memos to either Investigations for enforcement.

A nightly process sets applications with received dates over 6 months to finished. If applications have been marked as needing additional due process time, this is extended until 1 year. Once all LOAs submitted on any application have been approved, denied, or withdrawn, an electronic response to sent to NIPR.

TPA Insurance Licensing
TPAs are always organizations but not always agencies. TPAs can be operating in Michigan in multiple capacities, such as only TPAs, or also as agencies or also as insurance companies. It is listed in the law that a TPA applying for a license cannot have a similar name to other active or pending TPAs. For a new application, data such as organization

Name, FEIN number, mailing address, contact or business location is entered. They submit financial statements that need to be reviewed. The results of the financial review, as well as the reviewer, are entered. Part of the processing of a new TPA license is to fill out a checklist (this is a hard copy outside of the system).

Individual Association information is entered, this includes the type of association (Officers, Owners, Directors, MGA).and the position (Chief Financial, member, President)

Organization Association information is also entered.

Once an application is approved, an Approval Letter and a Certificate of Authority are generated and sent to the applicant.

If something was missing from the application or is found in the review process, the application is sent back to the applicant to obtain the missing information with a letter.

TPA Licensing Renewal
A warning notice is sent to the TPA analyst prior to the annual generation of forms required to be submitted by companies during the current year. This prompts the analyst to complete any applications that are still pending before the required form records are created.

The renewal is annual and the invoices are generated in a batch. The renewal due date is March 1st of each year. The date the annual statement is received is entered on the appropriate required form record. If an extension is granted, the system increments the due date by one month and updates the comment field to show when the change was made.

If the renewal invoice is not paid and the financial statement is not received, the status on the license is changed to inactive.

There is an existing inquiry that may be run to summarize this information to make it easier for the analyst to follow up with TPAs that have not submitted all items required for renewal. Would like the system to change the status of TPAs that have not renewed.

Purchasing Group
Information for organizations that purchase insurance as a group are entered into OBASE. The information such as organization number and name, NAIC number, Federal ID number, State of domicile, CRD number, RC type is captured. There is a review and approval process of the applications. The process is pretty much the same as that followed for insurance companies, the application is pending until it is approved. There is an association of the registered affiliates once the analysis is complete. There is also a yearly renewal. There are batch processes set up in the system to facilitate the annual renewal process.

Examples of data captured: For a Purchasing group application: Application id, primary staff member, actions, status, start date (initiated or received),

For a Purchasing group: license type, Organization name, status, status history, address, domicile state, FEIN, Commercial lines of Authority

Functional Requirements: 71 -173, 296, 467, 468, 471, 493, 477, 496.

Tracking Agency affiliations such as DRLP and showing company appointments
There is not a limit on the number of DRLPs for a business entity. If an individual is already licensed, their date of birth is displayed on applications. If the individual is not already licensed, the user may enter the date of birth on the application.

Appointment renewals have covered earlier in this document. Licensing remains active as long as CE requirements are met.

The license fee is $10.00. Agent=Producer.

Note: Terri did mention additional processing that they want concerning DRLPs, but none of that is currently programmed in the system. The only automated parts concerning DRLPs that currently exist is the sending of e-mails to the agency when the DRLP is initially associated to the agency.

Examples of data captured: Individual id, type, individual name, social security number, date of birth, Indicators for: Agent, SLA, DRLP, Affiliation, owner, member

Functional Requirements: 100,106

Exceptions
None